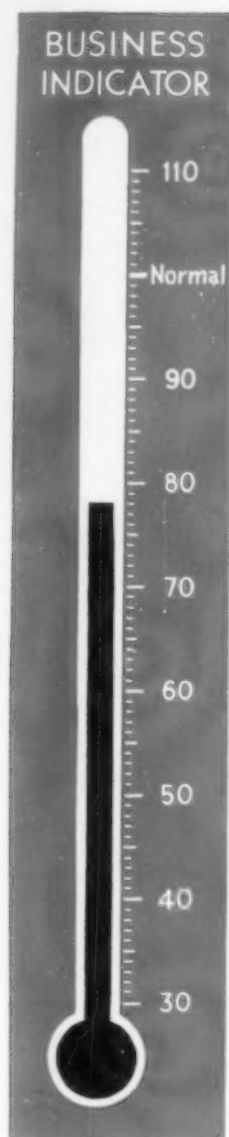


# THE BUSINESS WEEK



Whirlwinds of worried words from financial and political storm centers of Europe sweeping across front pages and swirling through world securities markets have obscured the slight signs of strengthening in basic business indicators in these self-sufficient States during the past two weeks . . . . In face of frightening foreign financial news and the full force of summer slackness, our index has recovered from its slight slump at the end of June to a level in line with the average of the past six months . . . . Concealed currents of deferred demand in consumer industries are undoubtedly sustaining and stimulating domestic business despite foreign difficulties . . . . The steadiness of domestic securities in the home market is another encouraging sign of resistance of American psychology to panic possibilities, and the passing of the damn-fool stage of this depression . . . . Record low wheat prices are largely a reflection of political factors interfering with normal market forces. Uncontrolled commodities continue to fluctuate around the levels established in June . . . . Meanwhile the merry music of the moratorium march from the banks of Berlin to the plains of Kansas sounds the dirge of deflation. When deflation drives debtors to default, creditors become moratorium-minded and expansion is inevitable . . . . All signs point imperatively in that direction and focus the attention of world finance on Federal Reserve policy.

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JUL 21 1931



H. G. Fischer, President of H. G. Fischer & Co., Chicago, manufacturers of physio-therapeutic equipment says: "A complete McCaskey Register System for handling factory costs on factory orders, job time tickets, and materials, helped us operate at a profit during the depressed year of 1930, largely by enabling us to cut our inventory \$35,000 under that of 1929."

"One type of cost control system investigated would have cost us \$1,500 to install; but a McCaskey representative installed a simple and adequate McCaskey System at a saving that will keep us in McCaskey supplies for years."

## McCASKEY

**Industrial Control Systems for**  
 Perpetual Inventory      Process Inventory  
 Single and Dual Control      Cost and Payroll Records  
 Production Control      Order Control  
 Machine Control      Planning, Routing and  
                                          Dispatching  
 Tool Check and Tool Investment Control

## \$35,000 Thawed Out of Inventory "Helped Us Operate at a Profit!"

An interesting result of the McCaskey system installation is told by the H. G. Fischer & Company of Chicago. Money frozen in excess parts in inventory was reduced which released \$35,000 for operating capital. Factory orders are written in duplicate on McCaskey carbon-backed forms, thus providing cost and inventory control which keeps kinks out of production—avoids shortages—prevents excess of parts—provides constant control of jobs in process—perpetual inventory of stock items—easy distribution of material costs to orders and elimination of former annual physical inventory. Will you let us send you information on what a McCaskey System can do in reducing your cost records? Your inquiry will receive prompt attention.

### THE McCASKEY REGISTER COMPANY

Industrial Division 9071  
Galt, Canada

ALLIANCE, OHIO  
Watford, England



# What's In This Issue —And Why

## The World Outlook

A CONDENSED analysis of the German crisis, its effect on the rest of the world, what may happen beyond the Rhine, and what it means to American business. (pages 5-7)

## Doherty vs. Kansas

THE Doherty fighting yell breaks the tense hush which hangs over public utilities and attracts the attention of all their old foes. (page 20)

## R.R.

THE railroads had their innings before the I.C.C.; no hits, no runs; sentiment seems to be with the other team. (page 11)

## The Wicked Shorts

THE White House condemns short selling—especially in wheat; grain men defend speculation, blame over-supply; congressmen work on schemes to stop it, mollify the farmers. (page 16)

## Wheat

HIGH yield and increased acreage have given Kansas her greatest crop of all time at the lowest prices ever. (page 18)

## Foreign Trade

THE balance sheet of international payments published by the Department of Commerce shows the effect of depression on world intercourse but the figures are in dispute. (page 26)

## Coal

REPRESENTATIVES of the operators and the United Mine Workers who perspired so freely up in Room 705 of the Department of Commerce Building got exactly nowhere, as predicted. (page 9)

## Voluntary Chains

THE Federal Trade Commission's inquiry into chain store systems shows that the so-called

voluntary chains have centralized buying and merchandising, private brands, account for \$700 millions in food sales. (page 13)

## Real Estate

OLD laws and new troubles shoved Chicago foreclosures to a new high in June—716 suits involving over \$47 millions. (page 24)

## Bankruptcy

FAILURE is no respecter of age; analysis of 500 cases adds this to other data important to creditors. (page 14)

## Foreign Branches

FRENCH branches of American firms have long sought to avoid the double tax imposed by Paris; one is testing a loophole. (page 24)

## Steel

BIG STEEL and Bethlehem are about to quote Detroit base prices on bars as an effort to control prices in this center of bargaining; local producers do not welcome the change. (page 8)

## Arms Relief

WHAT it costs the nations to go armed, what armament relief means to taxpayers is shown in the second part of the survey by the European News Bureau of *The Business Week*. (page 30)

## Unemployment

PLANS are afoot to mobilize relief for the winter ahead; depleted personal reserves will throw more families on charity, and thinning pay envelopes will make charity money harder to raise. (page 15)

## 10c Oil

LAST week's price cuts drove crude down to a new low, producers shut off their wells in protest, governors of oil states took steps toward a production "lockout." (page 10)

## Add Economic Regions

THE Rocky Mountain states declare their economic interdependence, form the third of the business states outlined by *The Business Week*. (page 13)



## MAKER



## USER

Three directors of a large manufacturing company were in a friendly but exceedingly vigorous disagreement.

What did women consider the most important value in the article that this corporation manufactured? What characteristic of the product appealed *most* to women, users of the product?

One director championed the decorative value of the product. Another director defended a convenience value. The third director smilingly but aggressively backed still another convenience value.

The J. Walter Thompson Company was placed in charge of advertising for this corporation. In order to seize upon the most effective theme for an advertising campaign it was necessary to know which of the directors was right.

There was just one way to find out, of

*which one knew?*

course. The J. Walter Thompson Company proceeded to ask the women themselves.

A majority of the 2,000 women who were interviewed said that all of the values named by the directors were important. But even more important was one which none of the directors had named... a certain performance value.

That became the foundation of a successful advertising campaign.

In an increasing number of instances it is now possible to determine just what it is that women *do* think about a given product in the market. Not always what they say, but what they *really* think.

The J. Walter Thompson Company pioneered in the effort to learn the real interests of the actual buyers of eighty-five per cent of all advertised products... *women*... and to address advertising directly to them.

Today the selfsame principle of seeking out the very heart of a problem, in no matter what field, makes this company an acknowledged leader in those products which are most dependent on advertising... products in the highly competitive fields... in the United States and throughout the world.

New York • Chicago • St. Louis • Boston • Cincinnati • San Francisco • Los Angeles • Montreal • Toronto • London • Paris • Madrid • Berlin • Stockholm • Copenhagen • Antwerp • Alexandria • Port Elizabeth • Buenos Aires • Sao Paulo • Bombay • Melbourne • Sydney • Batavia • Wellington • Osaka

# J. WALTER THOMPSON COMPANY

THE BUSINESS WEEK



# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending July 18, 1931

## What Germany's Crisis Means to Business

### Most important possibilities to be seen in the German situation:

THE fall of the government, revolution, military intervention, the outcome of which no one could foresee. Aside from these extremes—

(1) Establishment of strict governmental control over foreign trade and foreign financial transactions, on the Soviet system. This seems inevitable in any case in order to protect the banking reserves of Germany and prevent internal financial collapse, unless very large foreign credits are forthcoming. The latter appear unlikely because of lack of confidence in the political stability of Germany, and would not be forthcoming without continued governmental control of foreign exchange movements and further internal credit restrictions or rationing which are bound to cripple German domestic business. The Reichsbank has already raised its discount rate from 7% to 10%. Such internal credit contraction would reduce prices and stimulate exports of goods, but it would also intensify unemployment and political unrest among the German people.

#### Internal Inflation

(2) Some form of internal inflation behind governmental control of exports and foreign exchanges may be tried. The lowering of the Reichsbank's legal gold reserves against the mark currency from 40% to 30% and the proposals for reintroducing the rentenmark currency backed by mortgages point in this direction. Such a policy would cause rising prices and increased employment in Germany if control of imports and foreign exchange were strict. Germans recalling the experience of the post-war inflation would rush to convert currency into goods or tangible investments. Export trade would be handicapped by high prices and costs but internal business would be stimulated and internal debt burdens reduced. This policy would probably be politically popular.

### The World Situation

*Germany*—Sentiment improving but situation still serious. Political outlook hinges on progress of international loan. Business retarded temporarily by lack of funds.

*Great Britain*—Early nervousness giving way to slowly improving sentiment.

*France*—Except for volatile reaction on the Bourse, French business shows small reaction. This is due to (1) withdrawal from Germany 2 weeks ago of the bulk of French capital; (2) financial self-sufficiency of France.

*Central and Eastern Europe*—In Austria, Mercurbank asked for a 6-month, was granted a 3-month, moratorium. Other Austrian banks have not asked for a debt holiday. Higher bank rates likely to help.

Hungary closed the Budapest Boerse, called a 3-day bank moratorium, needs a \$25 million foreign loan (promised).

Danzig and Latvian banks closed. Polish banks maintain payments.

*United States*—Business skeptical. Stock markets declined slightly on panic rumors but later rallied decidedly. As yet no evident dumping of German securities. German and other foreign bonds suffered bad declines before showing signs of a rally. Domestic bonds weak.

*World Markets*—Stocks, after varied declines, closed the week up on all markets. Bonds rallied from drastic lows. Dollar, franc, and Swiss franc exchanges alone were up for the week. Commodities, except lead, zinc, and wool, sagged, then rallied when aid negotiations got under way.

### Effects on American business of a German upheaval:

FOREMOST, a severe shock to business and financial confidence. More measurable results—

(1) An abrupt check to German buying of American products, especially cotton, copper, and other raw materials, and to some extent wheat and other foodstuffs, except as these were sold on credit. This stoppage would be necessary to cut foreign payments by Germany to a minimum.

(2) Dumping of German products abroad to secure necessary foreign exchange.

#### Forced Selling

(3) Sales in New York and London markets of securities held by German interests, in order to secure dollars or other foreign currencies with which to meet foreign obligations, to maintain liquid balances abroad, or to secure funds for use in Germany. Such selling, together with selling of German securities, might precipitate drastic liquidation on these exchanges and force them to close, as in 1914. German investments abroad, including all types, are estimated at about \$4 billions and long-term German securities held by foreigners at about \$2½ billions.

(4) American funds to the amount of about \$2½ billions would be tied up in Germany. About a third of these funds, probably \$700 millions, are in short-term credits, which have been renewed from time to time so often in recent years that they have been used practically as long-term loans, and could not be quickly withdrawn anyway unless Germany secured long-term credits to substitute for them. The other two-thirds consists of about \$800 millions in corporation bonds, perhaps half of which are guaranteed by the government, \$400 millions in federal, state, and municipal bonds, and \$200 millions in direct investments in foreign branches of American concerns.

If sufficient foreign credits were granted Germany, a large part of the



GERMANY BEGINS AT HOME—Dr. Bruening works to restore Germany's confidence in itself. Left to right, State Secretary Joel; Minister of Agriculture Steiger, Minister Schreiber, Dr. Luther, president of the German State Bank, Prime Minister Bruening, who must meet the crisis and lead the Reich out of its difficulties

short-term loans of Americans could be withdrawn. Interest, dividend, and amortization payments on German securities held in this country could also be made, but less probably because some of the governmental loans would be defaulted, and corporation dividends suspended. Such securities would be sold in large amounts in foreign markets at drastic losses, which would amount to a forced credit to Germany. Earnings on direct investments could probably not be transferred to American owners for some time.

### France Is Stubborn, Skeptical—But Uneasy

PARIS (Radio)—The French attitude in the present crisis continues intransigent despite undercurrents of marked uneasiness. The Bourse, following the 4-day holiday, fell 20%, while the wholesale scramble of banks to repatriate their foreign credits caused franc exchange to mount. Rediscount paper of important private banks in London is being refused because of their entanglement with Germany.

Appreciation of the franc is an indication that the French are not assured of the outcome of the present crisis and wish the greatest possible liquidity in case of emergency. French capital in Germany, through cautious banking practices, was reduced a fortnight ago to almost negligible amounts, with remaining credits widely distributed in all important banks. The French are skeptical of the meeting of British, German, American, and French statesmen because whatever concessions Germany can now make would cause the immediate withdrawal of the present mild German cabinet, which would inevitably be replaced by a far more anti-French government.

### British More Confident After First Shock

LONDON (Cable)—Britain is recovering from the first shock of the German crisis. After dropping to the lowest rate since 1925, exchange has recovered. Shipments of gold to New York may not be necessary.

Stocks have reacted upward on the improved outlook for international co-operation (including France) in aiding Germany. Traders still are cautious.

Two other factors are favorably affecting the situation. The first is the growing realization that, despite London losses in the panic-precipitated collapse of Nordwolle and Darmstaedter, British commitments with German banks are smaller than at first reported. Authorities in the city estimate they may be as low as \$250 millions. The second is the prospect that the internal German political situation will be eased by an international loan.

### Disturbance Spreads East Across Polish Border

WARSAW (Cable)—Poland is feeling repercussions from the German situation, along with the largely German Free City of Danzig.

In Gdynia, Poland's only port, and in Danzig, shippers are upset by the inability to cash checks to pay port dues, or to get cash for immediate business. Polish banks in both places remained open during the German bank holiday, but because so many of them are directly financed by German banks the situation has been uncertain. No Polish bank, however, has yet failed to maintain regular payments.

In Upper Silesia, the old German territory which has become the heart of Poland's thriving steel industry, the flow

of business has been interrupted. Closing of the Darmstaedter Bank strongly affected local business. Later, the bank holiday created the same situation as in Germany—jeopardizing pay rolls, cutting off funds for immediate business—because Germany's "Big Four" dominate banking business in this territory.

It is reported that Polish officials are utilizing the present situation in an attempt to replace German capital with French or Belgian funds.

### Upset in Currencies Hampers World Trade

ALL international business transactions were seriously disturbed this week by a financial upheaval resulting from the German and other disturbed foreign developments. Money from all over the world fled to France, Switzerland, and the United States—only countries in which confidence was not affected. These countries accentuated the trouble by withdrawing more of their huge balances from abroad, including Latin America. The result was a great appreciation of their currencies, making them extremely costly to those forced to make payments.

Decline in the pound sterling was most serious, and impaired confidence in this international currency which will not soon be restored. This is likely to result in a greater use of dollars and francs in international dealings. Purchase of German marks was almost impossible, quotations nominal.

The Federal Reserve did nothing other than participate in the extension of the \$100-million credit to Germany. Its foreign deposits, which increased from \$700,000 to \$3.7 millions from June 17 to July 8, were unchanged this week. Foreigners, mostly the French, continued to sell acceptances held here.

# Reich, Forced to Help Itself, Likely to Take Middle Course

BERLIN (Cable)—Despite the seriousness of the panic which gripped Germany this week, sentiment at the close of the week is more reassuring. The political quiet throughout the country is particularly gratifying. Business has been resumed on a restricted basis following the bank holiday. Cash payments by banks are strictly limited to amounts required for salaries and wages, and bank-to-bank transfers are limited to \$2,500 per account. The object of this move is to curb incipient transfers of funds from small to large banks, in case depositors have the idea the government will grant priority guarantees on funds in large banks.

So far, the public has accepted the situation in good humor. Restaurants,

amusement places, and luxury shops are largely deserted, but retail trade has not yet been very much affected. The big retail shops are making a bid for trade by further price reductions, thus confirming the fact that the present crisis is having a deflationary, rather than an inflationary, effect on internal business.

The root cause of this week's collapse is the dependence of German economy, particularly of the banking system, on foreign short-term credits. These have been used largely for long-term investments (therefore frozen) or for financing reparations. Over-emphasis in the recent appeal for reparations revision, of Germany's inability to pay, caused heavy withdrawals of capital and a decline of foreign confidence. This was

followed by an internal panic which speeded up the flight of capital.

The preventive measures taken have calmed the excitement of the first days of the crisis, although probably they are insufficient to halt altogether the run on banks for some time. All depends now on quick action in restoring confidence and securing an adequate supply of currency.

## Must Begin at Home

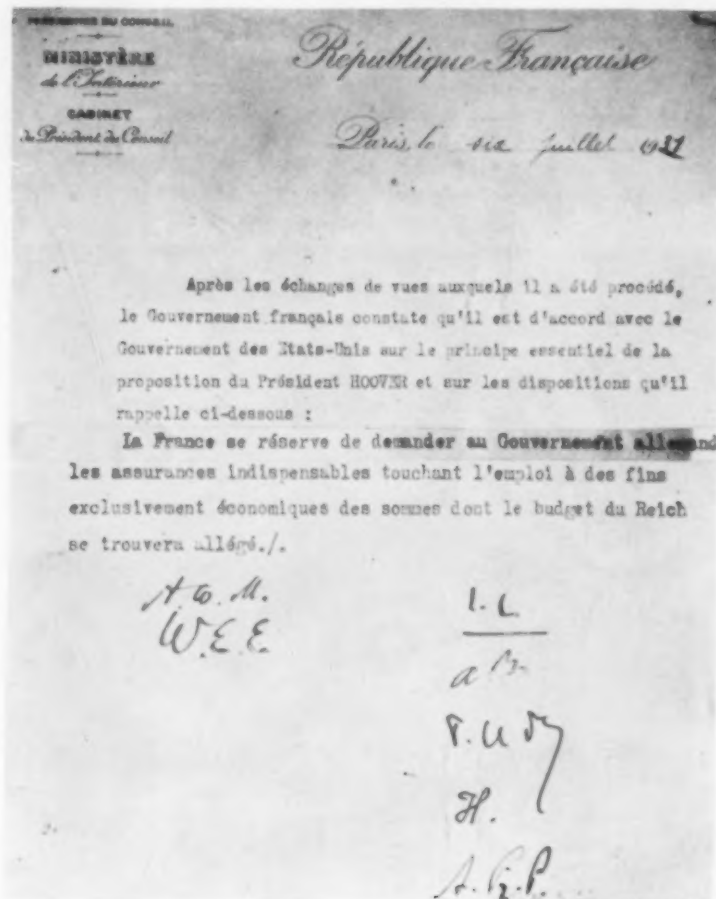
The attitude of the government and the public at the beginning of the crisis was characterized by the optimistic hope of outside credit help. Disappointment over the Basle parleys exercised a salutary effect inasmuch as it made Germans realize the necessity of making a desperate effort to get affairs in order at home before expecting foreign credits.

Germany, also, has come to realize that reparations are not the *only* cause, perhaps not even the *chief* cause, of German business depression. It is just now being generally admitted that, even after the new Emergency Decree is fully in effect, there remains a national deficit of \$355 millions in the fiscal year which began Apr. 1. Realizing this situation, responsible Germans are paying more attention to the recent statement by Chancellor Bruening that the country's financial difficulties will probably reach their climax only in the fiscal year 1932-33. The reason for this is that the full effect of reduced incomes and wages on tax receipts will not be felt before next year.

## A Middle Course

The government now seems likely to adopt a middle course. In order to provide currency for wage payments and other urgent needs, it will lower the minimum cover of Reichsbank notes to 30% or even to 20%, allowing an increase in the present circulation by \$250 million; simultaneously it will raise the bank rate in order to attract hoarded foreign exchange to the Reichsbank. Despite the bank holiday (not affecting the Reichsbank) credit restriction already has forced firms to surrender hoarded foreign exchange. Particularly, it is believed the high discount rate will force exporters to repatriate proceeds on exports of the last few months and now largely kept abroad. This total is estimated at a minimum of \$100 millions.

Generally, the situation is by no means hopeless, much depending on psychological factors. But only concerted action by America, France, and Britain can prevent an acute, though superficial, German crisis developing into the economic collapse of Central Europe.



INTERNATIONAL MEMO—The document of accord signed by the French and the Americans. At the left, the initials of Mellon and Edge; at the right, Laval, Briand, Flandin, Pietri, Poncet



# Big Steel Companies Are Ready To Quote Detroit Base on Bars

UNITED STATES STEEL CORP. and Bethlehem Steel Co. are on the verge of declaring Detroit a basing point for pricing iron and steel bars, the product most heavily used by the automobile industry.

Quotations at Detroit will command a differential of \$3 a ton compared with Pittsburgh; bars selling at \$33 a ton, f.o.b. Pittsburgh, will be sold at \$36, f.o.b. Detroit. Steel executives predict that application of a Detroit price to bars means that it will almost immediately be extended to sheet steel and strip steel, which have their largest consuming outlet in the Detroit district. Moreover, these products are being manufactured at Detroit's door by smaller competitors of the leading steel interests.

## Dickering Power

Detroit has long been known as the country's meeting-place for steel prices. If low prices could be obtained, automobile manufacturers were sure to get them. Purchasing some 5 million tons of steel annually and consistently holding first or second place as a steel consumer over a period of years, the automobile industry has been virtually in a position where it named the figures it was willing to pay for steel.

This tremendous buying power, the scramble of the mills to get a share of the lucrative tonnage, have led to many irregularities. A few of the largest steel users at Detroit have constantly insisted on getting steel at \$1 or \$2 a ton less than the recognized market.

## Many Roads to Market

When navigation is open on the Great Lakes, steel is delivered to Detroit by boat from Chicago, Cleveland, Buffalo, and other points. Michigan Steel Corp. (subsidiary of National Steel Corp.) and Newton Steel Co. are delivering it there by truck and rail from nearby mills. Some inland mills are shipping to Detroit by a combination of rail and water. The variety of methods of quoting steel for Detroit delivery serves as a convenient cloak to cover price-cutting. Irregularities have increased greatly since steel production has sprung up at Detroit. They are not always the fault of local mills, are sometimes due to the need for concessions to get a portion of available tonnage for distant mills.

Competition at Detroit has intensi-

fied in recent months. Newton Steel Co. has centered manufacture of full-finished sheets for the automobile industry at its modern Monroe, Mich., plant, abandoning its Newton Falls, O., works. Michigan Steel Corp. recently completed expansion of production facilities at its Ecorse, Mich., plant, now can make 250,000 tons of sheet steel a year, almost all of it going to the motor car trade. Great Lakes Steel Corp. (also National Steel subsidiary) has put into operation in recent months a hot strip steel mill, a 14-inch merchant bar mill, is now ready to start a new 10-inch merchant bar mill.

## Ford in the Game

The situation is further complicated by Ford Motor Co.'s operating its own steel plant at Rouge with annual capacity of 400,000 tons of bars. This tonnage is not all used in manufacturing departments at Rouge; some goes to Ford parts suppliers.

Detroit district mills claim they do not welcome establishment of a Detroit base, realize that they will share in the steel industry's loss of some \$12 millions a year by this practice. But con-

sumers in the automobile industry have been pushing for a Detroit base price, relishing the gain of paying less freight. Large steel interests have charged for some time that Detroit district mills have taken considerable steel tonnages from consumers in the automobile trade by granting unusually low prices equivalent to a Detroit base.

While steel mills at Pittsburgh, Cleveland, and Chicago will have to absorb a freight loss of \$2 to \$3 a ton as soon as the Detroit basing plan becomes effective, there are certain advantages accruing. They will have better control of the price situation in the most highly concentrated steel consuming district in the country. The uncertainty about prices, which has made every mill suspicious of every other, will be dispelled under the new order.

## Steel Bows to Tradition And Geography

It was Walter Sherman Gifford, president of the American Telephone & Telegraph Co., who was last week selected by George Fisher Baker the Actual to succeed upon the Finance Committee of the United States Steel Corp. the late George Fisher Baker, last of the Founders of Big Steel.

Significantly, 46 replaces 92. Signifi-



SKYSCRAPER HOUSE—The first steel-framed, arc-welded house (BW—Jul8'31) under construction in Cleveland. Costs compared favorably with wood, possibilities are great, potential market for steel is large





*The Business Week*

**GET YOUR ICE-COLD SLEEPER**—The Baltimore & Ohio devised this to remove the heat from sleeping cars that have been standing in the sun. Blowers draw air across cakes of ice, force it into a corridor window.

cantly also it was the predecessor who forged Tel. & Tel. out of the component Tel. and the other Tel. And significantly too, the successor is a statistician by trade, as is justice in the head of an institution that has to know such things as how many hello girls there will be on Manhattan rock 100 years hence. And not without significance is it, either, that the youthful Gifford is already a charitarian, will, with Myron Taylor, represent the Baker heart upon the great charity boards just as they represent the Baker pocket upon the great business boards that make charity possible.

#### **A Chicago Man**

Fittingly also another charitarian was elected to take the vacant Baker chair at Steel's quaint Grand Rapids board table—President Sewell Lee Avery of U. S. Gypsum. Lawyer he was, pious and learned, maker of alabaster he became, and gypsum master he is now. Gypsum goes into cement, which is Steel's vastest side-line. But his significance, aside from Hull House, Chicago's United Charities, indeed Chicago's Crime Commission, is geographical. Steel was a Chicago outfit. Judge Gary used to boast that he had scarcely ever been in Pittsburgh except on a midnight through train. And, for long, Chicago men dominated the board even if they did not rule the Finance Committee. Today, only the almost 3-score-

and-10-year wisdom of Eugene Jackson Buffington is to be heard out of Chicago in the councils beside the Hudson of a concern whose great interests lie far from the sea. Now Chicago recoups her other senatorial seat. For in the policy of Steel it has always been attempted at least by management to conserve geographical justice.

## **Coal Operators Are Determined To Seek Their Own Salvation**

**Washington conference finds little inclination to meet with union or seek help from government**

As forecast last week, nothing evolved from the meeting in Washington of coal operators with Secretaries Lamont and Doak to weaken the general opinion that little could be accomplished by a joint conference of operators and United Mine Workers. John L. Lewis and other U.M.W. representatives are meeting with the government officials this week; are trying, probably futilely, to convince them that, despite the operators' denial of close cooperation, "steps should be taken" by the government.

No formal announcement was made of what took place at the operators'

## **I.C.C. Again Called Upon To Referee Coal Squabble**

FOR the fifth time in 20 years the Interstate Commerce Commission is faced with the thankless task of deciding whether Northern or Southern bituminous coal mines shall have the lion's share of the lake-cargo coal market. It has ducked the task before and the chances are good that it will not disturb the *status quo* now.

The perennial contest between mines of western Pennsylvania and Ohio on one side and Virginia, West Virginia, and Kentucky on the other has brought about several reversals of the commission's opinion as to the proper freight rate differential which should apply.

#### **35c Differential**

Since Jan. 1, 1929, a compromise differential has been in effect whereby the Southern mines pay 35¢ a ton more for freighting their coal to the lake-cargo market than the Pittsburgh mines, despite the fact that the distance to the market from the Southern fields is about twice as great as from the Pittsburgh district.

The commission's past experience with this controversy warns it to go easy. Accusations that it has set itself up as an economic arbiter between the 2 regions has caused it plenty of grief. This bitterly fought case is credited with having caused the retirement of 2 members of the commission and the failure of the Senate to confirm nominations of several other appointees.

conference, but it is learned that they maintained they could put their own house in order, that a joint conference with the union would be useless, that the executive departments of the government were helpless to aid them, that no amendments to the anti-trust laws were wanted by them.

Few operators are fearful of administrative intervention but they await the new Congress with considerable trepidation. Despite the relative weakness of the United Mine Workers, Mr. Lewis' action in throwing its problems in the President's lap has directed public at-



ON THE ROAD AGAIN—In the interest of good roads, Dwight B. Huss (in the machine) prepares to retrace in his ancient Oldsmobile the route he covered in 1905 in the first transcontinental race

tention to the industry and, undoubtedly, will bring about many sympathetic gestures for its relief by members of Congress.

Mr. Lewis urges amended anti-trust laws to permit consolidations which, he says, will bring about the closing of superfluous, high-cost mines and will eliminate the most desperate type of current competition. Some operators believe that effective consolidation is physically impossible; point to 4,200 independent operators, 6,000 active mines. These range in size from 10 which produce over 3 million tons a year to over 2,200 which have a total capacity of only 6 million tons. Between these extremes are nearly 2,000 mines which produce the bulk of the country's 535-million-ton annual total.

#### Operators Disagree

It is asserted that no practical consolidation measure could eliminate the hundreds of operators who bring in stand-by capacity at the slightest bulge in prices.

Other operators disagree, believe that consummation of consolidations already discussed—such as all mines of northern West Virginia, of eastern Ohio, and others—would include sufficient capacity to improve the industry's stability.

Coming back to what it believes are fundamentals, *Coal Age* says editorially

that no operator needs to be told the cause of present conditions in the industry, particularly with respect to industrial strife which is racking it from top to bottom. Its "inevitability" was foretold when a major part of an overdeveloped and disorganized industry changed the restrictions of contractual labor relations for unlicensed indulgence

## Oil Producers Go on "Strike" To Bring Price Back to \$1 Bbl.

THE last straw has fallen on the oil producer's back. In the face of crude oil price cuts last week which brought Mid-Continent and Texas oil to 22¢ a barrel maximum, ranging down to 10¢—an unprecedented low—a producers' strike has started which already has brought about the closing of wells producing over 350,000 bbl. daily and will be extended much further if prices do not advance quickly.

Late last week, Humble Oil & Refining Co., Standard of New Jersey unit, cut crude oil prices in Texas 9¢ to 17¢ a barrel. The cut was based upon the fact that vast quantities of oil are being sold from the still unregulated East

in ruinous wage and price competition." It suggests that the present situation raises the question whether reestablishment of the United Mine Workers, or some other national union, to the position of dominance held by the union prior to 1920 is the only way out.

Meanwhile over 30 companies operating in West Virginia and Pennsylvania have signed wage agreements with United Mine Workers during the past few weeks and other companies are expected to follow suit. Opposition of many of the larger companies will postpone any industry-wide action, however.

#### Strikes Spread

Western Pennsylvania, Ohio, and northern West Virginia continue to be the sorest spots for labor disturbances, although local strikes, condemned by the Lewis-Walker organization, broke out in southern Illinois recently, and in southern West Virginia an independent organization under the leadership of Frank Keeney has called a strike in Kanawha County.

The National Miners Union (Communist) called a national conference for July 15 and 16 at Pittsburgh to discuss the extension of the work of the union, a 6-hr. day, a 5-day week and unemployment insurance. It has also been active recently in Illinois, strong U.M.W. district, where plans for a new union are being formed in collaboration with some left-wing U.M.W. locals.

Warfare has entered Indiana most recently where injunctions against union activities have been sought by several cooperative mines.

Texas field at almost any price the purchaser is willing to pay.

Since Texas oil competes directly with that of Oklahoma and Kansas, Sinclair Oil & Refining Co. met the Humble reductions the next day. This action was immediately followed by Stanolind Crude Oil Purchasing Co., a Standard of Indiana unit and one of the largest purchasers of Mid-Continent oil.

Last Saturday operators of Oklahoma City pool, which has been producing about 250,000 bbl. daily, voted to shut down their own wells and called upon the governors of Oklahoma, Texas, Kansas, and other oil-producing states to order all oil production stopped until

the price of crude returns to \$1 a bbl. In advance of the Oklahoma City conference, a number of wells had been shut down in protest against the latest price cut. The 26 wells of Anderson-Pritchard Production Co., with potential capacity of 400,000 bbl. daily, were closed at the end of the day's run July 9. A voluntary agreement among operators of the Permian Basin in Texas shut down most of the wells there.

#### Shut Down Wells

On Saturday, in Wichita, Kan., independent operators controlling 10,000 of the state's 22,000 wells voted to shut them down on Wednesday, July 15, and to keep them shut until the crude oil price reaches \$1 a bbl. Signed pledges, representing 60,000 bbl. of the state's total 100,000 bbl. output under proration, were given at the meeting and tentative promises to shut in 30,000 to 40,000 more were given by representatives without authority to give a definite answer.

The industry is unanimous in blaming the situation upon operators of the East Texas field, where all attempts to restrict production have failed. The most encouraging sign is that Governor Sterling has called a special session of the Texas Legislature for July 14 to enact laws which will give the state real power to enforce its regulatory measures. While considerable opposition to really effective laws is expected, a large proportion of oil men, including many Texas operators who were originally against restriction, are now convinced that real regulation with teeth is the only way the East Texas field, and the entire industry, can get out of its mess.

#### Set Daily Quota

In its futile attempts to effect proration in East Texas the Railroad Commission set 160,000 bbl. as the daily quota. Current production is about 360,000 bbl. with 975 wells producing and 600 more being drilled to add still more to the flood.

In *The Lamp*, authoritative house organ of Standard Oil Co. of New Jersey, it is pointed out that riotous development of the East Texas pool costs the entire industry outside California about \$1.7 millions a day, \$615 millions a year. When the East Texas pool was discovered oil of similar grades was selling at \$1 a bbl. Due chiefly to disorderly development of the new pool and the tremendous flood of oil it has thrown into the market, the price of all Mid-Continent oil has now declined to less than 20¢ a bbl., all because, says *The Lamp*, greed overcame the urge to orderly development.

## End of Railroad Inning Leaves Rate Increase Far From Won

### Trend of questioning at I.C.C. hearing brings out strength and tactics of opposition forces

RAILROADS puts their best foot forward when hearings opened this week before the I.C.C. on their plea for a blanket increase of 15% in freight rates. The evidence of hand-picked witnesses was short and snappy. The lively progress of the hearing was impressive. It should help the roads in their argument that the promptness with which the commission acts is just as important as the measure of relief afforded.

#### Five Keynote Speakers

Five key men had been chosen to present the railroads' case for jacking up the rates to a level that will produce a return of 4% on their investment:

Dr. Julius H. Parmelee, director of the Bureau of Railway Economics, to submit a statistical picture of railroads' financial and operating condition, to show that, despite rigorous economies and great operating efficiency, there has been inadequate return on property in-

vestment (3.27% in 1930, 2.07% during first 4 months of 1931, against 4.81% in 1929, and the post-war peak of 4.96% in 1926); inadequate ratio of earnings to fixed charges (1.76 in 1930, probably less than 1.27 this year, against 2.28 in 1929, while the legal standard set for savings banks and trust investment in railway bonds is 1.5); consequent seriousness of the problem presented by the more than \$1.3 billions of bond and equipment trust maturities which must be met during the next 5 years.

Edward D. Duffield, chairman of the Emergency Committee on Railroad Investments of Life Insurance Companies and Mutual Savings Banks, and Fairman R. Dick, of the Security Holders' Committee of the Railroad Emergency Committee, to bring evidence regarding the peril of the railroads' credit. Security owners contend that a rate increase is



International News

THEY WANT TO BLOCK THE MERGER—New England governors, in special session at the Massachusetts State House, decide that the proposed Eastern railroad merger is not for the best interests of New England. Left to right, are Governors Cross, Case, Ely, Winant, Wilson, and Gardiner



the logical relief measure for the carriers, as freight constitutes only a small part of commodity prices paid by consumers but furnishes 80% of railroad revenues. They estimate that a 15% rate advance would increase the price of wheat less than 2¢ a bushel, potatoes 4½¢ a bushel, lumber \$1.65 per 1,000 ft., gasoline 3¢ for 10 gal. The average rate on Chevrolet and autos of similar size would be increased to \$54.

R. H. Aishton, president of American Railway Association, to portray the efficiency and economy with which railway executives have managed their properties. A defence of limited trains (*BW*—Jul 15 '31) was a feature of his testimony.

Roy Kern, chairman of coke and coal committee of the Central Freight Association, to explain increases in coal and coke rates without disturbing the existing differentials.

#### Significant Questions

That the railroads will be challenged on their plea of inability to earn their fixed charges 1½ times was indicated in almost the first questions directed at the railroad witnesses.

Members of the I.C.C. and colleagues representing state public utilities commissions showed clearly that they did not regard it as a grave question that the railroads had fallen below the earnings necessary to maintain their bonds at a legal status. J. B. Eastman, of the I.C.C., and Paul Walker, of the Oklahoma Commission, sought to back Mr. Duffield into a corner on the subject of rail bonds, showing that farm mortgage bonds had similarly shown signs of weakness and that the railroads had, apparently, enjoyed greater stability of earnings in past years than industrial companies, since at least 20% of the banks' and insurance companies' investments were in rail securities.

#### Sentiment Against Increase

The trend of questioning was significant, and although no actual cross-examination was permitted, private conversations with members of state commissions proved conclusively that the sentiment is overwhelming against the rate increase. With 25¢ wheat, Western representatives assailed the railroad stand and all indications point to vigorous cross-examination of rail witnesses at the August hearing and substantial protest against any rise in rates.

Shippers and others opposed to the proposal are not scheduled to appear before the commission until Aug. 31, but there are rumors that the date may be advanced to Aug. 15, since the carrier hearing was so brief.

## Safeway Merger May Lead To Other Chain Combines

ACQUISITION by Safeway Stores, Inc., of the MacMarr Stores, Inc., just announced, places the former second in importance only to The Great Atlantic & Pacific Tea Co., is considered the forerunner of further expansion by Safeway in territory not yet covered, may prove the beginning of a series of mergers in the food chain field.

Practical reasons support the advantages of the present merger. Safeway alone is operating 2,663 stores (of which 1,618 had meat departments) in 18 Central and Far Western states, Maryland, Virginia, District of Columbia, Canada, and Honolulu. Safeway operates 17 bakeries, 17 other producing units, 2 meat plants, 1 candy factory, 2 creameries, 2 coffee roasting plants, and for distribution maintains 41 wholesale warehouses.

MacMarr has 1,392 stores with 577 meat markets, located in 10 of the Far Western states. It operates 5 bakeries, 2 creameries, 1 coffee and spice plant, and 6 wholesale warehouses.

Safeway was one of the few chains showing an actual gain in 1930 sales over 1929, is but 5% below 1930 dollar volume during first 6 months of 1931, while MacMarr lost but 0.9% of its 1929 dollar volume during 1930,

is 9.6% lower for first six months of 1931.

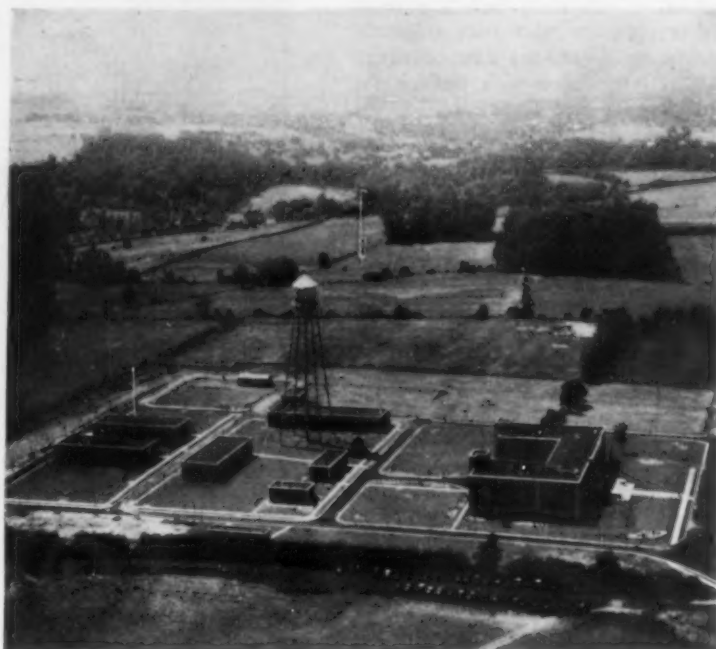
Consolidation of the buying, manufacturing, distributing, and sales facilities of these two powerful organizations will undoubtedly result in important operating economies. The combined sales volume in 1930 was \$305 millions for 4,036 stores, compared with Kroger's, next largest in sales volume, reporting 1930 sales at \$267 millions in 5,165 stores.

With less than half of the country now covered it is expected that Safeway may further extend operations more nearly to parallel the 15,000 store chain of A. & P. Tea Co.

#### Reasons for Combining

Meanwhile sound reasons are being advanced why numerous of the local chains operating in restricted thickly populated territories may before long pool their resources, combine into fewer but more powerful groups to give more effective, yet profitable competition to the larger chains which have invaded their territory.

Consolidation of groups operating in the same area generally makes possible reduction in two important overhead items, that of payroll, which accounts for 60% of a chain's expense, and rent which averages 13%, while marketing conditions are improved and operating profits increase.



RESEARCH STATION—The Hercules Powder Company's new experiment station occupies 300 acres in the Delaware hills, has every facility for work. Here will be centralized the company's research activities in explosives, naval stores (turpentine, rosin, etc.), and cellulose products





Underwood & Underwood

**PERMISSIBLE PACKAGES**—Under the new size and weight regulations, the government expects to increase the use of parcel post. Postal Inspector Dakin (left) and Jesse Harraman, Director of Parcel Post, show the bigger packages now accepted. The weight limit has been increased to 70 pounds; length and girth to 100 inches

## Voluntary Chain Is Big Factor In Sale of Foods, Survey Shows

**395 cooperative groups with 53,400 store members credited with \$700-million business**

THE Federal Trade Commission has made the first report on its inquiry into chain store systems, demanded by Sen. Res. 224. This covers operation of voluntary chains, and was completed ahead of that on centrally-owned chains, under pressure of the frequently advanced theory that "the cooperative chain may be the salvation of the independent retailer."

### 2 Types Covered

The cooperative chain is defined as "an association of independent retailers acting cooperatively." While the operation of 319 cooperative groups was studied by the commission, it estimates that at the beginning of 1930 there were 395 such groups, with 53,400 retail store members, and 1929 sales volume of \$600 to \$700 millions.

This total checks approximately with

results of a survey made in 1930 by the American Institute of Food Distribution, which, as of May 1, 1930, traced 52,387 members of 376 groups of the type covered by the commission's report. However, those interested in the subject wonder why the commission ignores a third type of cooperative chain, those cooperative retail groups of independent retailers, joined together chiefly for co-operative buying and advertising but without expensive centralized organizations or warehouses. Of this type, the institute traced 175 with 7,253 members.

Confined to chains sponsored by wholesalers and those retailer groups operating warehouses, the report contains valuable data. Net results indicate that retailer groups with warehouses have succeeded in halving distribution costs. However, they lose much of their

advantage for lack of the aggressive merchandising and sales effort which are producing excellent results in groups sponsored by wholesalers.

Retailers cooperating with a wholesaler had 140% to 212% higher gross profits, 178% to 247% greater operating expense, and did 50% more business than retailers cooperating in warehouse operation; but in 1925, 1928, and 1929 the latter earned a higher average on investment.

### Reasons for Difference

Larger stocks, wider assortment, greater advertising, sales, window display, delivery, and service expenses account for the difference in net results. For instance, 40 wholesaler-retailer co-operatives spent 60% more for advertising than did 47 of the other type of group. Their average stock investment was 76% to 230% greater. In 135 wholesaler-sponsored groups 1,405 salesmen gave sales and merchandising services, while in 114 retailer-cooperative groups only 40 were so employed. Average 1929 sales of wholesaler-sponsored chains were \$2 millions against \$1.4 millions for the others.

Private brands are shown to have an important place in cooperative chain operation. Of the wholesaler-sponsored cooperatives 85% had their own brands and 66% reported higher mark-ups on them than on nationally advertised brands; they carried 6 times as many private label items as retailer-cooperatives and 72.7% of them propose to increase the number of privately branded items.

Comparison of these figures with the retailer-controlled groups indicates that private label merchandising may, to a considerable extent, be responsible for the better sales volume obtained by wholesaler-sponsored groups. Only slightly better than 50% of retailer-controlled cooperatives had private brands; only one-third reported higher mark-ups; only 47.1% expected to extend the use of private labels.

### Comparing the Margins

Retailer-owned cooperative groups served their members on an average gross margin of 5.5%, but proved less effective in getting sales volume and gross profits. Wholesaler-sponsored groups averaged 11.5% gross margin, which reflects the greater expenditures on selling, advertising, window display, inventory, etc. If the former groups extended their sales activities, cost of operation would jump. In the latter group, economies in internal operation might cut operating costs.

Combining the best features of each

type of chain would probably produce group cooperatives operating on 8½% to 9½% gross margin, giving effective as well as profitable competition to centrally owned chains.

#### Voluntary Chains Increase

That voluntary chains are becoming an increasing factor in retailing of foods is indicated by a June, 1931, check-up by the American Institute of Food Distribution. This shows that there are now 600 to 650 voluntary chains with 65,000 to 68,000 members. Wholesaler-sponsored groups are found to grow fastest in number, are also adding the most retailers.

Any type of cooperative competition is found materially to improve the morale of independents after they have "joined up."

### Simmons to "Unmerge" An Adopted Subsidiary

SIMMONS CO., world's largest makers of metal beds, springs, mattresses, etc., is going to divest itself of Berkey & Gay Furniture Co., subsidiary maker of high-grade furniture acquired late in 1929.

Spurred by exceptional success in the metal bed, spring and mattress business, Simmons Co. proceeded in 1929 to round out its line, place itself in position to meet all furniture requirements of the American household by acquisition of manufacturers of various kinds and grades of wood furniture.

Berkey & Gay Furniture Co. of Grand Rapids, Mich., long-established makers of finest grade period and style furniture, was purchased in September, 1929. Shortly thereafter B. F. Huntley Furniture Co. of Winston-Salem, N. C., was acquired to insure more complete coverage in the medium-priced field.

#### Profit Into Loss

Business conditions during 1930 caused a substantial sales slump. At the end of the year inventories were written down nearly \$1½ millions, "largely on newly acquired subsidiaries."

Analysis of the situation indicated that the Simmons Co., as it was, would be showing a good profit but burdens of the new subsidiaries turned that profit into loss.

Sales in 1931 are continuing to drop, during the first 5 months were 28.9% less than in 1930.

To remedy the situation, protect the parent from being ravaged by adopted children, at least one of the latter is to be put back on its own. "Unmerged," the Grand Rapids concern will resume its old individual status.



*From Cliche*  
**SIGNING UP THE WORKERS**—The trade unions were enlisted in the Soviet drive for the "Five-Year-Plan-in-Four Loan." Workers were persuaded to subscribe; payments were deducted from wages. This second issue of the huge domestic loan added \$800 millions to the \$500 millions raised last year. Bonds are of 2 kinds—lottery and coupon; lottery bonds pay no interest but may win prizes; coupon bonds pay 10%

## Bankruptcy Study Finds Age Is No Criterion of Solvency

**Average life of 500 firms that failed was  
7 years; corporations put up best fight**

JOINT analysis of 500 bankruptcy cases by the U. S. Dept. of Commerce and University of Chicago has produced interesting new data on the subject. Age evidently does not determine questions of solvency. During the first 4 months of 1931, of cases investigated 17% involved concerns 3 to 5 years, 24% concerns 5 to 10 years old, 23% concerns over 10 years old. Average business life for the entire group was 7 years.

Two-thirds of women's apparel shops that failed had been in business less than 5 years, the men's furnishings and jewelry shops averaged 10 years, professional men 13½ years. Of firms which failed 77% were experiencing their first depression.

Among the failures 14% were part-

nership concerns, 19% corporations, while 67% were individual proprietors. Corporations seem to have the greatest power of resistance as 54% were over 5 years old against only 36% of the partnerships and 48% of the individual ownerships.

Concerns dealing in necessities of life made up 40% of the failures investigated, 124 being retail clothiers, 70 food retailers. There were 70 manufacturers and 25 wholesalers, 334 retailers in the group.

Interesting is the effect of managerial experience upon life of a concern as reflected by this study. In 84 cases only 17% recorded any previous experience of manager or proprietor; average was 5½ years. Managers had had previous experience in their lines

in 29% of the firms failing within the first year of existence; in only 21% of the firms surviving 1 to 5 years, in only 14% of the 5- to 10-year-old bankrupts, and in only 8% of those over 10 years old.

That life insurance and the redemption value of policies have an important place in the operation of present-day business enterprise, are a factor in the settlement of bankrupt estates, was shown by a study of 790 cases.

Of 290 consumer cases investigated one third had no life insurance, 22% had less than \$2,000, 10% had \$2,000 to \$3,000, while 13% had \$10,000 or more, including 4 individual cases with insurance ranging from \$96,000 to \$330,000.

Principal causes for bankruptcy were specified by the debtors in 276 business cases as follows:

	By Cor- porations	By Part- nerships	Total
Business Depression	58	79	137
Lack of Capital	34	16	50
Chain Competition	26	21	47
High Rent and Leases	13	16	29
Instalment Selling	13	—	13
			276

Among contributory causes of failure the depression was mentioned 37 times; insufficient capital 58; chain store competition 29; high rents or leases, 58; instalment selling, 7. Drop in real estate values was given as chief reason for failure by 16 debtors.

#### Big Failures Increase

Bankruptcy cases in the country are increasing, have made new records during the first 6 months of 1931. They exceeded those of 1930 by 10%, and were almost 33% more numerous than in 1929, according to a report just issued by Bradstreet's.

Concerns with less than \$5,000 capital made up 73% of all cases in first half of 1931, accounted for but 70% during same period of 1930, but for 77% in 1929.

Failures of large concerns with over \$1 million capital have increased with exceptional rapidity. Only 16 were reported during 1929, 43 in 1930. The first half of 1931 alone has recorded 37 such cases.

However, cooperative effort of busi-

ness organizations to reduce percentage of loss through bankruptcies is showing gratifying results. The New York Credit Men's Adjustment Bureau during 1930 paid unsecured creditors on claims totalling over \$5 millions, 39.05% net at a total cost to creditors of only 15.78% of cash realized. On cases handled by the bureau 61.93% of accounts receivable were collected and 46.22% on assorted other assets were reported.

## Winter Relief Plans Must Cope With Shrinkage in Donations

Third emergency call will see better organized drive for private, heavier demand for public, funds

WORK is actively under way to organize relief for the unusually severe conditions expected with the arrival of a third winter of widespread unemployment; and likely to be encountered even if employment picks up. Welfare and Relief Mobilization, a division of the President's Emergency Committee for Employment, is consolidating the plans. Under the direction of Vance C. McCormick, it is charged with the duty of co-ordinating the relief measures of all charitable agencies throughout the country.

Welfare workers point out that during the first 4 months of 1931 unemployment relief cost about 75% of the total for all of 1930. They add that this mirrors not so much an increase in unemployment but the fact that continued idleness, even if intermittent, has

still further depleted the reserves of those subject to unemployment and part-time work. It seems likely that in the coming winter a much larger proportion of unemployed families will be dependent upon outside help for their support than during past winters.

Aggravating the situation is the fact that many of those who normally furnish strong support for community funds are in no position now to repeat their former contributions. To a much greater extent than is generally believed, community funds are raised from persons of moderate means; frequently from employees whose employers accept a quota to be raised in their organizations and prorate it among the workers on a quasi-voluntary basis. Incomes of this class of person have been substantially reduced during this year



STRAW COMBINE—This new combine-baler follows the big combine, turns out a bale of straw every 40 seconds





SCENE FROM THE TEXTILE FRONT—Strikers scatter as the police prepare to bomb them with tear gas in the Central Falls, R. I., labor clash

through salary cuts and short-time work. Despite social and business pressure he is unlikely to be able to contribute as much this year as he has in the past.

#### Public Funds Needed

To a greater extent than has been true in the past, the bulk of next winter's relief must come from public treasuries. During 1929, public funds furnished about 60% of the cost of direct family relief in 100 representative cities. In 1930, the total cost of relief increased greatly while the share provided from public funds advanced to 72%.

However, local fund-raising campaigns to secure \$82 millions for winter relief work will be held between Oct. 19 and Nov. 25 in each of the 380 cities of the country having populations of 25,000 or more. These campaigns will be in charge of the Association of Community Chests and Councils, J. Herbert Chase, president, and should be effective in the 244 cities which have local chests. But in over 130 other cities, including such important ones as New York, Chicago, and Boston, there is no organized charity drive. In these cities the Chest Association will try to organize emergency committees.

Cooperating in this work is the American Association of Public Welfare Officials, including state and local welfare men and women. This body is

charged with the organization of local social and economic resources, particularly in the less populous communities.

The Family Welfare Association, with contacts in 400 cities, will assist by gathering information about the best methods of obtaining and expending relief funds, provide advisory service.

The National Association of Travelers

## Short Selling Target of Attack Inspired by Hoover Criticism

COMMODITY exchanges are under fire again, with the guns again trained at that much vituperated practice known as short selling.

The cause for this fresh attack is a White House statement on speculation in commodity markets. In it the President condemns certain speculators, whose names he does not expose on account of his official capacity, for selling wheat short. Such activity, he charges, has but one aim—depression of prices. "The intent is to take a profit from the losses of other people. Even though the effect may be temporary, it deprives many farmers of their rightful income."

Aid Societies will provide information on the effective handling of problems arising from the aimless migration of unemployed families.

The Russell Sage Foundation will make a study of successful methods for carrying out "make work" programs.

#### Can't Estimate Total

No one knows how much money will be necessary to provide adequate relief this winter. A survey of 100 cities of 50,000 population made by the Children's Bureau, Department of Labor, shows that for direct family relief nearly \$21 millions was spent in these cities during 1929 and nearly \$40 millions in 1930. Since these totals do not include sums spent by missions, municipal lodging houses, or other agencies providing temporary food and shelter, they only suggest total relief costs in these large cities; relief costs in smaller communities are impossible to estimate.

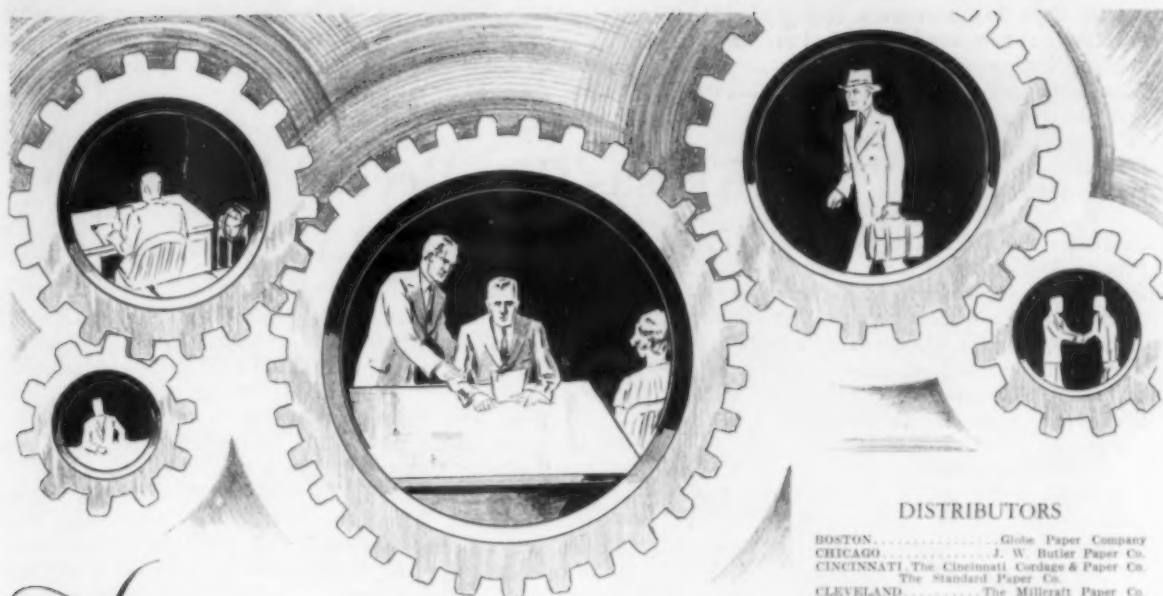
Critics of present plans point out that, while most of the populous centers may be well cared for by proposed organized efforts, there still remain countless small communities which have neither the ability, leadership, nor funds to prepare adequately against winter want. They also ask what provision can be made for communities, like Detroit, which have come to the end of their own relief resources in caring for particularly severe unemployment during past years. Recent action of the Red Cross indicates that it, the only nationwide relief agency in the country, can not be depended upon for relief in such cases; state and federal governments appear the last resort to many

In answer, grain exchange officials deny excessive short selling, declare there is too little rather than too much speculation, lay the blame for the shrinkage in prices on other factors, principally the oversupply of wheat, to be augmented further this year by another huge crop, now estimated at 869 million bushels or nearly 6 millions more than last year's crop.

They further point out that short sellers often constitute the chief support of a falling market through their covering operations; every short seller being a potential buyer.

Moreover, they say it is absurd to assume that prices have dropped just





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because there has been short selling. Price declines have not been limited to markets having exchange facilities. Commodities not dealt in on exchanges have also experienced severe shrinkage, in some instances more drastic than those affecting commodities that are on the exchanges.

With the revival of this old controversy, which arises during every depression, it is practically certain that the fight for placing a legislative curb on short selling will be renewed at the next session of Congress. It is equally certain that the demands of some radical and farm belt senators and representatives will go beyond the President's wishes.

#### Sure of Support

If any practical way of banning or curbing short selling can be devised between now and December, it doubtless will have a tremendous support. A number of senators and representatives who do not believe that short selling should be abolished, themselves would not dare to oppose such a move, once started.

Too many of their constituents think short selling is a wicked attempt of the rich to exploit the poor farmer, and too few of them understand short sell-

ing at all, much less the explanation of why it is beneficial.

Still, though public sentiment has been greatly aroused against short sell-

ing, which politicians would like to capitalize, there is no assurance that anything will actually be done legislatively.

## Kansas Gets Record Low Price For Record Yield in Wheat

NEVER were times harder in Kansas. Wheat is selling at local shipping points at 25-30¢, with 24¢ paid in at least one place this week.

Three all-time records have been made: yield, acreage, price; first 2 are all-time highest, last is all-time lowest.

For the first time, Kansas has 200 million bushels of wheat this year. Previous high was 177 millions in 1928, the year when it rained wheat all over the world and added so heavily to the now apparently chronic world surplus.

Despite the heavy crop, shipments are down, with farmers holding grain back, many feeding it to hogs, which at around 7¢ offer, for the time being, the best bet to get money out of the crop.

The week began on the Liverpool market with prices at the lowest ebb since 1654; Chicago futures price was within  $\frac{1}{2}$ ¢ of the all-time low. Since then wheat prices have improved slightly in Liverpool, but have gone still lower in Chicago.

The situation is anomalous in one way. With Kansas, main wheat state, breaking all records and winter wheat heavy generally, spring wheat will have one of its worst years ever, as things now look. Nevertheless, the North American wheat total will be around 200 million bushels off. Canada's crop is estimated nearly half of normal, which will be ruinous at current prices.

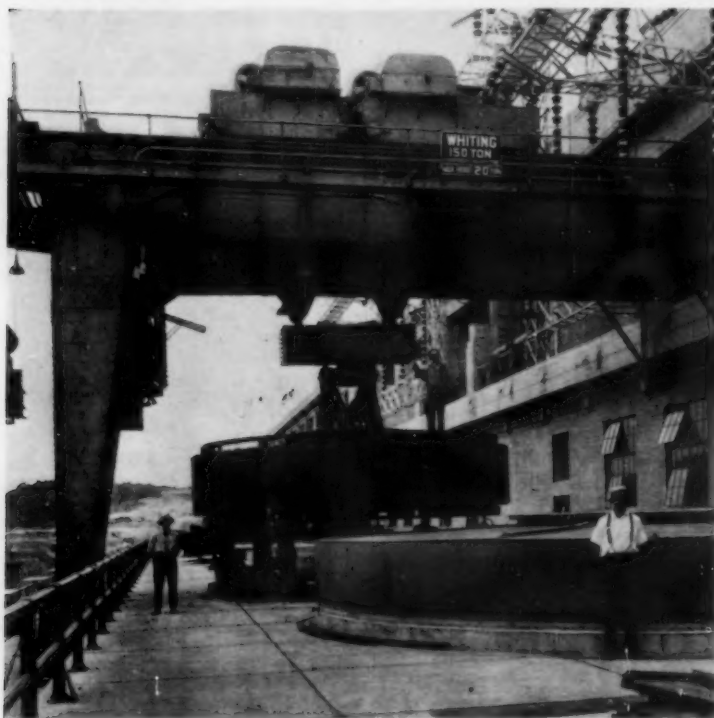
### Farmers Grain Corp. Buys 2 More Elevators

THE Farmers National Grain Corp. has purchased the 3.2-million-bushel St. Paul and 1.6-million-bushel Minneapolis elevators of the Farmers Union Terminal Association, and its interests in some 350 farmers' elevators in country towns in Montana, North and South Dakota, and Minnesota. The deal, involving between \$2 millions and \$3 millions, is the biggest ever made by Farmers National.

This organization now controls more than 50 million bushels of terminal space. Similar arrangements are now in effect in Washington, Oregon, Utah, Colorado, and Missouri, and in a modified way in Nebraska.

Marketing will be handled by Farmers National, while the Terminal Association will continue to build membership and originate grain to be brought up to the national grain co-op agency.

Under the new arrangements, President Huff said, the Farmers National will be able to direct the producer's grain to the point of ultimate sale without a needless step in the process of handling and marketing. The corporation also plans, he added, the movement of the physical grain so as to prevent as far as possible congestion and oversupply in any market.

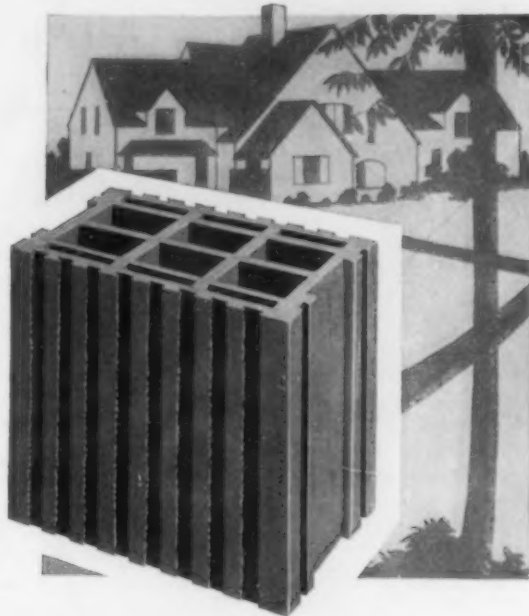


The Business Week

**RIGHT OUTDOORS**—No buildings cover the generators at the Osage hydroelectric development which Stone & Webster is constructing for the Union Electric Light & Power Co. of St. Louis. They are covered by huge, round metal caps. Here, the crane lifts one of the 150-ton rotors

THE PRESENT DOLLAR MEASURES THE COST-THE FUTURE DOLLAR THE PROFIT



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in cost \$\$\$ insulated  permanent  moisture-proof, free from maintenance and depreciation.

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The largest concern in the world manufacturing a complete line of Structural Clay Tile and Underground Clay Conduit.



# Doherty's Fight in Kansas Mobilizes Foes of Utilities

**He focuses hostile attention on rates, regulation, and the controversial commerce issue**

AN arch enemy of public utilities would have been hard put to find a more effective means to mobilize opponents and to direct national attention to rate reduction and regulation than Henry L. Doherty's letter to the Postmaster-General asking him to bar the Kansas City *Star* from the mails for making "more than untruthful" statements about him. This attempt by the head of a billion dollar utility to destroy a newspaper opposed to him has directed unusual attention to what Kansas is trying to do to and with Cities Service.

The Doherty circus in Kansas has 3 rings. Public attention has been centered on the libel suit by which Doherty seeks to recover \$25 millions damages from the *Star* and upon the pyrotechnic display which has followed the attempt to bar the sale of Cities Service stock in Kansas. More careful observers are focusing their attention upon the third ring, however, where runs the case involving the El Dorado gas rate increase.

## **Ordered to Give Data**

Western Distributing Co., subsidiary at El Dorado, asked for higher gas rates. The Kansas Public Service Commission sought data to permit it to determine the reasonableness of the increase. The company refused information, applied for an injunction against commission interference. On June 25 the 3-judge federal court of Kansas ruled that the commission was entitled to the information it sought; particularly that it should be given information about the costs of transporting gas from the fields to local distributing companies; that the gas company must justify the reasonableness of the 40¢ per 1,000 cu.ft. charged by Cities Service Pipe Line Co. to all Doherty distributing companies.

This decision, which Doherty interests will appeal, is the crux of the situation. For years, Cities Service has been successful in keeping its retail gas rates immune from regulation by contending that its pipe lines are engaged in interstate commerce, thus are not subject to state control. Domestic gas rates have been based then upon the wholesale price of 40¢ over which the state has had no control.

This wholesale rate has been maintained in Kansas, Missouri and, up to a short time ago, in Oklahoma, for over a decade. Citing the drastic drop in general prices and particularly liquidation of oil and gas prices, the Kansas City *Star* has been waging a campaign for many months against the prices charged for natural gas.

## **Laws Not Uniform**

Court decisions as to the power of state commissions over pipe lines are not uniform. The Supreme Court once ruled that the Missouri commission had no jurisdiction over pipe lines which did not deliver gas direct to consumers. Last December, however, it ruled that a regulatory body, in determining fair rates, may investigate whether the utility is paying excessive charges to a parent or subsidiary company.

The Kansas Commission contends that Cities Service Pipe Line is distributing gas direct to industrial consumers within the state, is thus engaged in intra-state commerce and is within the commission's jurisdiction.

Following the court decision in the El Dorado case, events came fast and furious for a few days. Backed by a \$100,000 appropriation given to young Democratic Governor Harry Woodring by the Republican legislature to study utility rates in the state, he appealed to Mr. Doherty, personally, to reduce the wholesale rate for natural gas from 40¢ to 30¢. When a delay was sought, which the Governor interpreted as presaging a refusal, he declared war; directed the Public Service Commission to institute proceedings for a gas rate reduction.

## **Bars Stock Sales**

On the same day, Carl Newcomer, Kansas "blue sky" commissioner, barred the sale of Cities Service common stock on the grounds that prior liens on the company's assets made it worthless. A temporary injunction against this order was obtained and, at a hearing before a state district court, the law upon which the order had been based, and which had only become effective May 27, was declared unconstitutional. The state will appeal; meanwhile Cities Service stock is on sale.

The coincidence of the 2 attacks upon Cities Service caused Mr. Doherty to charge that both were a part of the *Star's* campaign to ruin Cities Service.

Mr. Newcomer and Governor Woodring denied there was any collusion in their simultaneous actions. The former said an investigation of Cities Service has been under way since the new law placed it under the bank commissioner's jurisdiction. (Previously stocks listed on major exchanges were not under state regulation.)

The specific issue in the libel suit, which Doherty interests say is but the first of a series, is the engineering and management fees paid by Cities Service subsidiaries to Henry L. Doherty & Co. The *Star's* language was vigorous. The fifth and shortest of the 6 alleged libels, quoted at \$2 millions each, is the following which appeared under the headline "Protected in Hold-Up":

"Two points stand out in the findings as representing the major frauds practiced against gas users of the state by Doherty interests. The first is Doherty's personal velvet, the 1½% rake-off which he takes from the gross revenues of the companies identified with his name as compensation for engineering and management fees."

The *Star* has plenty of supporters.



Wide World  
HENRY L. DOHERTY—His circus in Kansas is a 3-ringed spectacle



Lower gas rates are always a popular issue, particularly so in Kansas and Missouri since Oklahoma, neighboring state, recently succeeded in getting reductions to about half the rates prevailing in Kansas City, and 35% below the average Kansas rate. Governor Murray of Oklahoma is death on utilities, was instrumental in getting the reduction, is supporting Governor Woodring in his fight, contemplates barring the sale of Cities Service stock in Oklahoma through a law passed July 10.

Other public utilities are not particularly friendly to Doherty interests and are unlikely to give him much aid or comfort in his fight.

#### Values Firm at \$1,455 Millions

At the hearing on the stock sale ban, a Doherty executive testified that according to cost figures used in the Cities Service balance sheet (unaudited) and allowing for 10% additional for "going concern value," the 32½ million shares of Cities Service common stock outstanding—second most widely distributed security in the country—are worth \$15.92 a share. At present replacement value less depreciation he said the company is worth \$1,455 millions which would make the common stock worth \$22.70 a share.

According to the latest Standard Statistics report dated May 26, 1931, the consolidated balance sheet of Cities Service of Dec. 31, 1930, indicated there was a total book value of \$237 millions applicable to the common stock, or \$7.55 a share. Current market price is around \$10.

#### Oil Czar Eccentric

To understand affairs of Doherty companies, one must understand Doherty himself. He is an individual and does things in his own way. Cities Service spells "gasolene" with an "e" when all others use "i"; he continues semi-annual stock selling campaigns by all employees and offers time payments, a practice frowned upon by most other utilities. Recently he resigned as a director of American Petroleum Institute because, so he said, little or no attention was paid to his views on how the industry should regulate itself. And so on.

Henry L. Doherty, 61, is the "lone wolf" type of operator. After his marriage a couple of years ago he withdrew gradually from the bustle of business. Now he has jumped back. It was testified at Topeka that he does not control Cities Service, that in fact his holdings are less than 20%, that he does not, and for many years has not received any salary for executive positions he holds in his companies.

\* "SERVING THE EMPIRE OF THE WEST" \*

## THE OREGON TRAIL LEADS ONWARD



UNDER the device "On to Oregon" the progressive citizens of this state are embattled in a crusade of economic expansion. Not ignoring notable achievements of the past, nor bustling activity of the present, the spirit of Oregon enterprise looks to the future for the accomplishment of even greater things.

To learn what Oregon's future promises in business opportunity, the Crocker institutions asked the public agencies of the state to project the work Oregon has set itself to do in the next ten years. In symposium, the answer was:

"New projects to cost \$257,000,000 are already in progress or scheduled for development. In the ensuing decade \$114,000,000 will go toward power, light and water systems; railroad extensions already under construction will cost \$19,500,000; \$100,000,000 will be spent in a ten-year highway construction program; \$30,000,000 is to be

devoted to canalization of the Columbia and Willamette rivers.

"The 1930 census indicates that Oregon's annual industrial output had doubled since 1920. At the same rate of growth, Oregon by 1940 will produce \$700,000,000 annually in manufactured products. Similarly, agriculture will yield \$400,000,000. New residents are coming in increasing numbers, attracted by progressive educational facilities, comfortable living standards and natural charms of climate and scenic beauty.

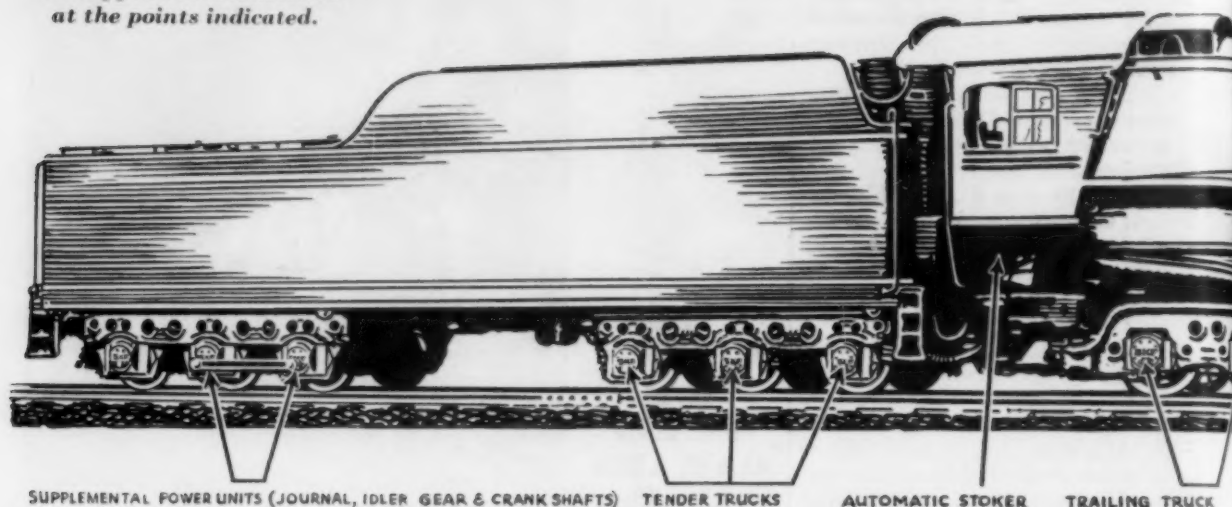
"Opening new territory for development, new industries for exploitation and new opportunities for a population which increases 21.8% in a decade, the Oregon Trail leads onward."

Since frontier days the Crocker institutions have stood for western progress. As sponsors of economic advancement in the Empire of the West, they place their extensive banking facilities at the disposal of western enterprise.

**CROCKER FIRST NATIONAL BANK**  
CROCKER FIRST FEDERAL TRUST CO. \* CROCKER FIRST CO.  
OF SAN FRANCISCO

# THE LOCOMOTIVE

**SKF** Bearings have already been applied to locomotives at the points indicated.



SUPPLEMENTAL POWER UNITS (JOURNAL, IDLER GEAR & CRANK SHAFTS) TENDER TRUCKS AUTOMATIC STOKER TRAILING TRUCK

## SKF-PICKED FOR THE TOUGHEST BEARING JOBS. BY THE COUNTRY'S LEADING RAILROADS

**L**ONGER runs, higher speeds and heavier loads are searching out the weak spots in railway mechanical equipment. Increasingly difficult conditions of operation have caused the locomotive designer to turn more and more to anti-friction bearings to improve mechanical efficiency.

Today, on many important mechanical elements of the locomotive, as shown in the illustration above, **SKF** Bearings are used. As time goes on these uses will increase, for the locomotives of the future, both steam and electric, will improve their efficiency to an even greater degree by extending the application of **SKF** Bearings to other moving parts.

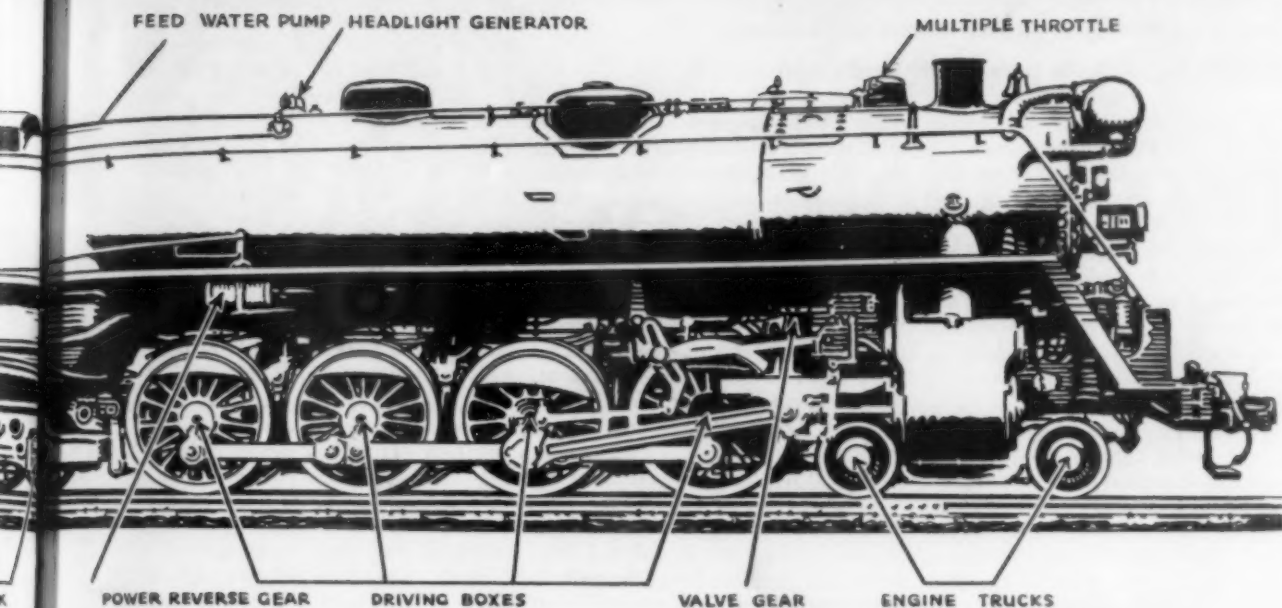
It is a significant fact that today more **SKF** Bearings are used on the railroads of the world than all other makes of bearings combined.

When you select bearings for any purpose, or when you buy equipment upon which bearings are used...remember that fact, please and insist upon **SKF**. For you may depend upon it, if a bearing can stand up year after year under the gruelling strain of railroad service, there's hardly a job in all the world that can make it fall down.

You may buy a bearing as a bargain, but try and get a bargain out of using it.

**SKF** INDUSTRIES INC., 40 EAST 34th ST., NEW YORK, N. Y.

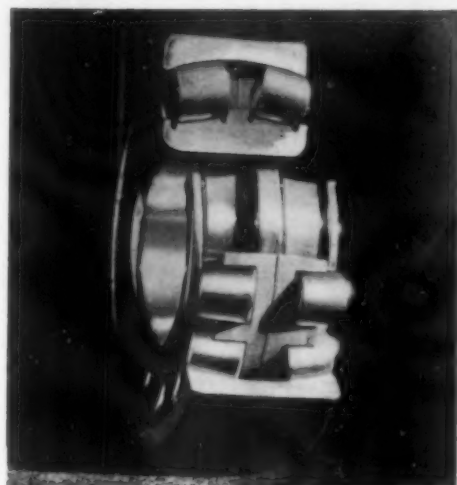
# OF THE FUTURE



ey're on

THE BROADWAY LIMITED  
THE 20TH CENTURY LIMITED

THE RHEINGOLD EXPRESS, GERMANY  
THE BLUE TRAIN, FRANCE



Here is the Journal Bearing  
used on the railroads  
of the world

## SKF

Ball and Roller  
Bearings





# Chicago Studies Foreclosure Laws To Cut Cost of Receiverships

**Mounting realty troubles stress weaknesses of state legislation passed 60 years ago**

REAL estate foreclosures in Chicago reached a new high total in June: 716 foreclosure suits totaling \$47,427,417, double the dollar volume of the 666 suits filed in March.

May saw 678 suits totaling \$34,688,713; April 639 totaling \$26,970,291. This brings the grand total for the second quarter of this year to \$109 millions, as compared with \$67 millions for the first quarter and \$244 millions for the whole of 1930.

## High Enough, Anyway

As to total property now in foreclosure in Chicago there is startling difference of opinion. Judge Michael Feinberg of the Cook County Circuit Court, before whom many of the cases come, stated in an address, "The Evils of Receivership," delivered before the Chicago Real Estate Board about 2 months ago, that values involved in the approximately 12,000 suits now pending, at boom prices of 4 years ago, would total approximately \$5 billions. This is fairly high. Chicago Mortgage Bankers Association has for some months been using the much more modest and deflated, but nevertheless sizeable, round figure of half a billion. This is too low now.

Unpleasant stories and rumors are in circulation. Almost any attorney or real estate man can tell stories of crookedness of receivers, of milking of properties, of equity owners manipulating to bring about defaults so that they may later buy properties back at scrap values. The need for the law to step in and investigate is freely suggested.

## Old Foreclosure Laws

Illinois has archaic foreclosure laws. They were passed about 60 years ago, designed to serve an agricultural state where it was thought fair to give a farmer 2 crop years to redeem his farm if the mortgageholder got it. A typical foreclosure period is 21 months, of which 6 months is the common period before receiver's sale and 15 months the period of redemption after. Effort made recently to get this period shortened was not successful, though the time of redemption for non-resident owners was cut from 3 years to 1 year, and one opportunity for racketeering plugged up.

Lengthy receiverships mean costly receiverships. Fees mount up much higher than they do in New York, Massachusetts, or other states where the process is far more speedy. The substantial fees involved, a powerful temptation, breed abuses.

Generally speaking, there are two ways to clean up any distressed business enterprise, real estate or otherwise. One is by washout; the other is by workout. The washout method is commonly more profitable to lawyers and professional receivers. Hence there is a temptation to use it even when the workout method would profit owners more.

In theory, this appears simple. But in practice there are second and third mortgages, unpaid bills, liens, back taxes, repairs, operating costs, and what-not, so that well-intentioned efforts to

apply patience and good management and pull the property through often come to naught. Even if most of the bondholders deposit, a few bonds in the hands of some lawyer who wants to "chisel in" may upset everything.

Of the 101 foreclosure suits of \$100,000 or more filed in Chicago between May 1 and June 20, 24 at a total of \$23,485,000, or about half the grand total, were filed by S. W. Straus & Co. (This is why May and June foreclosures totals broke all past records. Straus supported its issues longer than any other large house, but finally stopped doing so this spring.)

## Friendly Foreclosures

These are friendly foreclosure suits. In none of the 24 cases has a receiver been appointed. Being a house of issue, with close personal relations with mortgagors, Straus is able to work through committees that give the trustee power to operate the property during the period while reorganization plans are being worked out. It is thought that this method will be more economical and satisfactory than foreclosures.

Straus committees are made up entirely of representatives of the firm. Experience has indicated, they state, that



International News

**SELLING A RAILROAD**—A few years ago, Jacob Achenbach (left) tried to sell his wheat belt railroad for a few hundred thousand dollars, but clerks, unimpressed by his appearance, refused him admittance. Here, he receives a check for \$2,300,000 from Z. G. Hopkins, representative of the Missouri, Kansas & Texas, which bought the road

to bring in bondholders from the outside opens the way for racketeering by self-appointed and self-seeking "representatives" of such bondholders.

Of the 101 large suits filed in the period examined, Chicago Title & Trust Co. appeared as complainant in 25, totaling \$4,460,000. This concern has by far the largest receivership business in Chicago. It is in the business wholesale, handling all issues of American Bond & Mortgage and other defunct houses. Recently an arrangement was made whereby it will take over management of a single bondholders' committee to handle all issues originated by Foreman-State banks, now being liquidated through First National Bank of Chicago.

### Home Building Due Soon, Realtors Find

AVAILABLE supply of homes and vacant apartments in 381 cities of the country indicates that home-building operations should pick up soon, according to the 17th semi-annual survey just completed by the National Association of Real Estate Boards.

In 49% of the 381 cities, realty sales are as good as or better than last year (in 18% they are better). In 72% of the cities, the demand for single-family residences about equals the supply; in 17% there is a shortage; in 11% an over-supply. Balanced demand and supply for apartments is reported by 65% of the cities; 12% have a shortage; 23% report over-supply. Business space is balanced in 65%; 2% have shortage; 34% over-supply.

#### Doubling Up

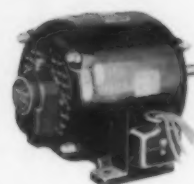
In cities of more than 500,000 population, supply of single-family residences equals demand, a condition unique in the 8 years' history of the surveys. Doubling up of families due to unemployment is believed to result in a considerable underestimate of the real need for housing facilities.

Rents have generally decreased during the past year. In single-family and 2-family dwelling and business property, over 60% of reporting cities show declines. Office building and apartment rentals declined less generally.

In 53% of the cities, borrowers are actively seeking loans; in 24% capital is seeking investment; in 23% general equilibrium has been maintained. Interest rates on mortgage money has been steady in 74%; rising in 17%; falling in 9%. Small cities need mortgage money, large cities have an over-supply.



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Every properly designed airplane has a power reserve to insure progress against the strong headwinds that are frequently encountered in flying.

In this discriminating market, which undoubtedly will last for a considerable time, many products that have *not* been redesigned to meet present day requirements in sales appeal and performance will encounter serious sales resistance from the headwinds of competition.

If your product is motor driven, we seek to co-operate with you in building sales by planning a unit, with all the advantages of compactness, symmetry, maximum safety, efficiency and—from a manufacturing standpoint—lower cost.

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*W. R. Lash.*

President.

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# International Payments Report Obscured by Dispute on Figures

EVERY year, about this time, the Department of Commerce publishes a drab but important pamphlet which compresses between its cheap paper covers the results of a year's trading with the rest of the world.

This year, "The Balance of International Payments of the United States in 1930" (Government Printing Office, 10¢) was brought forth under a cloud. The cloud is Dr. Ray O. Hall, long-time compiler of the figures, who was "fired" for differences with other officials of the department.

According to the report:

(1) Depression cut down international turnover from \$20,185 millions in 1929 by \$3,135 millions or some 15%.

## Gold Imports

(2) American gold imports in 1930 exceeded those of any year of the last decade except 1923, and the loss to foreign nations is having serious repercussions upon their credit situations. This is the first time since 1923-24 that gold has come in net for 2 consecutive years. On that occasion Europe's historic inflation was the cause, and the inflow was followed immediately by a Federal Reserve policy which expelled a large part of it.

(3) The net movement of capital out of the United States in 1930 was the largest for any year in a decade except 1928. This was due to an unusually large short-term outflow, consisting mostly of a reduction in bank balances here. The long-term outflow was unusually small. Foreigners took advantage of depressed security prices here to pay off part of their obligations at a discount. They bought about \$806 millions of their own securities here, plus \$100 millions of American securities. We bought \$306 millions of foreign securities.

## Merchandise Trade

(4) The balance of merchandise trade in our favor was the largest for any year in a decade except 1924 and 1928. Tremendous losses in foreign trade resulted from low commodity prices and dull business, but the differential between imports and exports continued large.

(5) Our loss of funds through "invisible" items was smaller than for any year since 1927. These items include tourist travel, freight costs, interest, im-

migrant remittances, charities, missionaries, etc.

According to Dr. Hall:

(1) The report, as published after his departure, contains serious inaccuracies in the foreign trade figures on questions of valuation.

(2) His figures made more noticeable the shrinkage of imports during the year of the Smoot-Hawley tariff.

(3) The net export of capital is exaggerated in the published report.

(4) Changes were made for the sake of political expediency which make the report unfair to the taxpayers who are paying for it.

The disagreements have led to a much larger allowance in the balance for "discrepancy due to inaccurate figures" and have raised serious questions as to this year's totals.

Secretary Lamont has ordered an investigation.

## Shipping Board Ponders 2 Plans for U. S. Lines

"REGARDLESS of all obstacles," the United States Shipping Board proposes to maintain the U. S. Lines. Conferences in progress now indicate 2 plans are being considered: (1) Rescue these "key lines" by raising \$3½ millions to meet the present emergency. (2) Allow the sale of the lines to other American operators. Executives of the International Mercantile Marine Co. are expected to submit to the Shipping Board a bid for the purchase of the lines.

The "obstacles" are depression-born, include an operating deficit on at least the *Leviathan*, *George Washington*, and *America*; the plan of the North Atlantic Passenger Conference to cancel about 30 sailings this winter; the failure of the Post Office Department so far to indicate its willingness to allow a reduced number of sailings when existing mail contracts call for a specified number of trips. Mail contracts are an important source of revenue.

The proposed advance of \$3½ millions, in addition to the suspension of payments due on the purchase of vessels which compose the U. S. and American Merchant Lines, would provide for the payment of \$2½ millions toward construction expenses on the 2 new 30,000-ton liners being built at Camden, and set aside \$1 million for operating.

## England's Economists Make Their Report

ENGLISHMEN for months have speculated on what the MacMillan Committee on Finance and Industry would find wrong with the Bank of England, the gold standard, more effective co-operation between central banks, in the report of their extended survey of world finance.

Released July 13, in the midst of a European crisis of the first order, the report was eclipsed by other news, but did not fail to make certain definite recommendations:

(1) Prices must be raised, then stabilized by international action.

(2) The gold standard must be internationally managed to relieve the present acute emergency and prevent its recurrence.

(3) Complete cooperation is essential

**Balance of International Payments, 1930**  
(Net Transactions in \$ Millions)

<b>Foreigners Paid the United States:</b>		<b>The United States Paid Foreigners:</b>	
For Commodities .....	758	For Freight .....	96
Interest on Investments .....	594	Tourist Entertainment .....	591
War Debts .....	241	Government Services .....	81
American Securities .....	50	Funds Immigrants Sent Home .....	166
American Paper Money .....	20	Charity and Missionary .....	49
Miscellaneous .....	7	Securities .....	340
		Gold .....	278
			1,601
Discrepancy from Inaccuracy .....	374	Foreigners Withdrew Balances .....	443
	2,044		2,044



because the immense growth of the financial power of the United States has altered the scale, if not the terms, of the problem of American and European economic relations.

(4) State control of banking is not needed in England.

(5) Lower wages are no remedy for the worldwide depression. "If, at the present juncture, when we are near the bottom of a world slump of unparalleled violence, all countries alike were to seek equilibrium by competitive wage cuts, we should merely confirm the low level of prices and rivet on our shoulders an intolerable burden of debt fixed in terms of money."

(6) There is recommended (in an addendum) a revenue tariff on all imports, plus bounties on exports, as methods of reducing the real rate of wages and the real burden of debt.

Though the report is significant as a study of conditions by some of England's foremost economists, it remains a series of theories "recommended," with no assurance that they can or will be carried out. Americans are inclined to attach greatest interest to the indictment against France and the United States "for their shortsighted and unintelligent application of the gold standard," evident in excessive gold hoarding in 1928 and 1929.

## Barred Here, Russia Takes Cotton Orders to Egypt

TWICE within a year the Soviets have made a bid on large quantities of American cotton and both times the Federal Farm Board, despite its holdings of nearly 1,300,000 bales, has refused to consider the deal. Alleged reasons: Washington, guardian of the Farm Board, has not granted official recognition to the Soviets; moreover the credit offered by the Soviets was said to be not entirely satisfactory to government officials.

### Russian Offers

It is not definitely known how many offers, or exactly the terms, the Soviets have made to the Farm Board during the last year. Reliable sources of information declare that the first offers were at the market with a demand for credit, though with interest. It is probable the Russians wanted from 9 to 18 months, though the average period of commercial credits is still about 9 months. Since last October—when the early offers were made—the price of cotton has declined more than 10%. The latest bid was for a round 250,000 bales.

### Trading Elsewhere

What is now worrying overloaded American growers is that Russia, instead of meeting American demands for cash—the case in 1926 and the years immediately after when imports were an absolute necessity—has turned to Egypt for cotton supplies. On June 1, an order was placed for 25,600 bales. Now Soviet textile representatives are in Cairo bargaining for another 50,000 to 75,000 bales. Terms are cash on delivery which is spread over a 2- or

3-month interval. The Egyptians have specified the cotton cannot be resold on world markets.

Russia at one time bought as much as 600,000 bales of cotton a year from the United States. In the 1929-30 fiscal year, purchases totalled 81,000 bales. Other, and increasing, purchases were made from Egypt, Persia, Turkey.

### Growers Interested

Cotton growers and brokers are interested in the Russian situation. Soviet output in 1921 was 57,000 bales. By 1930 it had jumped to 2½ million bales. World production last year was 27½ million bales, of which Russia produced about 7%.

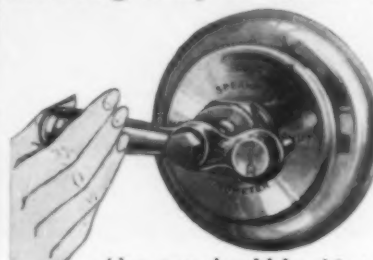
In Manchester, England, the one important market which Russia has attempted to enter as a cotton producer, the Cotton Association declares Soviet cotton made up 151,000 of the 1,387,000 bales imported last year. Soviet authorities point out that exports of Russian staple are made simply to balance imports of special staples not domestically produced.

### Russian Cotton

In the face of this, certain Liverpool cotton merchants have made an agreement with the Soviets to handle shipments of Russian cotton until an Anglo-Russian company is formed to handle Soviet cotton exports. Russian orders already are handled this way. This cotton group points out that Soviet imports of cotton yarn from Great Britain have fallen from 5,932,600 pounds in 1926 to 270,559 pounds in 1929, a decrease of over 5 million pounds.



**To really enjoy your shower you should be able to get the right water temperature instantly without losing any time...**



Also, you should be able to regulate the shower's force and volume, and change from a flood, normal, or needle bath at will. The Anystream Self-Cleaning Shower Head (K-3395) gives you such control of the shower's volume and force, while the Speakman Mixometer (K-3365) permits instant regulation of the water's temperature—both hot and cold water valves being controlled by the single handle of the Mixometer.

Literature on both Mixometer and Anystream Shower Head sent promptly

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WILMINGTON, DELAWARE

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SHOWERS & FIXTURES**

Please send your folder on the Anystream Self-Cleaning Shower Head and Mixometer.

# "Very Awkward..."



## ***Johns-Manville serves industry by the manufacture of materials which control motion of machines***

**A**CCCELERATION has been the dominant theme of the last hundred years. Move men faster! Move goods faster! Not only along railways and highways. Out of the depths of the earth. To the tops of high buildings.

"How to make it go. How to make it go faster!" Solutions of this spectacular problem have made names great, have made great fortunes. But harnessed with the spectacular problem has been a quiet one: "How to make it stop."

Making it stop—controlling motion—is one of the great fields in which Johns-Manville operates.

Brakes on automobiles are a familiar means of controlling motion. Brakes on hoists which flash materials to the tops of skyscrapers under construction, and on elevators in completed skyscrapers; brakes

on cages and cars which lower men and raise minerals from mile-deep levels in mines; brakes on drills which gouge their way through rock six, seven thousand feet in the earth, in search of oil; brakes on dredges which clear the channels to ports; brakes on excavators which root out earth in surface-mines . . .

These are less familiar, but not less important to the world's progress.

**JOHNS-MANVILLE** Brake Linings, Friction Blocks, Clutch Facings, with their essential ingredient, asbestos—these

have speeded up the processes of industry by controlling motion more efficiently, more exactly; by lasting longer, with fewer shut-downs for replacements; by standing high friction temperatures without the danger of fire.

PIONEER WORK in the development of friction materials has qualified Johns-Manville to meet any problem. Whether your need is in industry, or in the operation of a fleet of buses or trucks, or simply that of your own car, there is a J-M Friction Material made to fit the case exactly.



SCENE: The House of Parliament, London, 1825.

SUBJECT: A Bill allowing construction of a railroad from Liverpool to Manchester.

Member of Parliament (addressing George Stephenson, inventor of the locomotive):

"Suppose now, one of these engines to be going along a railroad at the rate of nine or ten miles an hour and that a cow were to stray upon the line and get in the way of the engine; would not that be a very awkward circumstance?"

Stephenson (speaking broad Northumberland):

"Very awkward—for the coo."

**Fear that the machine could not be stopped resulted in the Bill's failure to pass—postponement of construction of the first railroad.**

# for the Coo!"

## Saved on one Donkey Engine: \$156 a year

THE East Side Logging Company, Keasey, Oregon, takes from 60 to 80 million feet of fir, hemlock, and cedar timber yearly from Oregon's big tree country along the Columbia River. A 14-mile Company-owned railroad serpentine from river to mountain fastnesses whence big trees now come. Several trains a day come down, each carrying enough logs to build 20 bungalows and supply their occupants with fuel for a year.

Severe service in the logging camp falls on hoisting or "donkey engines"! With a high cable or "skyline," these drag and carry logs half a mile or more, from where they fall to where they are loaded.

FRICTION MATERIALS in the donkey brakes lasted, on the average,  $4\frac{1}{2}$  weeks, until J-M Asbesto-Metallic Friction Blocks were installed in one machine in June, 1927. They remained in service until August, 1929. This



brake handled 100,000 feet of timber a day—53,000,000 feet during the two years. The J-M Blocks had a life 21 times that averaged by the former friction materials. The annual savings resulting from the use of these J-M Blocks were \$156—not counting the savings of operating time previously used in installing new friction materials in the band. Needless to say, the East Side Logging Company has now standardized on J-M Asbesto-Metallic Friction Blocks.



21 times the life of other friction materials was the record made by J-M Friction Blocks on the main brake drum of this logging "donkey."

## Dust cleared . . . extra crew dismissed

Dredging operations put a friction material to the test, where loads are heavy and equipment is in constant use. Both conditions existed in dredging work along the San Francisco waterfront when J-M Friction Materials were first tried out several years ago by the State Board of Harbor Commissioners . . . The wood blocks previously in



service lasted only a few weeks, and gave off carbon dust which caused sickness among the crew. This sickness became so annoying that it was necessary to keep an extra crew on hand at times to replace those dropping out. When J-M Materials took the place of wood blocks, the dust condition was of course eliminated—the extra crew dismissed. J-M Asbesto-Metallic Blocks have lasted years instead of weeks—the savings have amounted to hundreds of dollars.



World's largest trolley bus lines standardize on J-M Brake Blocks

CHICAGO Surface Lines operate 89 trolley buses. Each bus averages about 100 miles a day. Brake linings must bring rapid deceleration against heavy loads and the residual energy of two 50 h.p. motors in each bus. . . . In conjunction with Chicago

Surface Lines, Johns-Manville studied materials, methods, developed new ideas, producing a type of block which meets every requirement . . . Not only Chicago Surface Lines but practically all trolley buses in the country have standardized on J-M Blocks.



Send for  
"Controlling  
the Wheels  
of Industry"

This booklet contains the J-M Friction Material Recommendation Chart, pictures interesting installations, details records of service. It is free—address Johns-Manville, 41st Street and Madison Avenue, New York.

# Johns-Manville



Controls  
HEAT, COLD, SOUND, MOTION  
Protects against  
FIRE AND WEATHER



# Bill That Arms Cut Would Lower Now Totals \$2,659 Millions

## U. S. uses larger percentage of budget for military purposes but Europe has higher per capita tax

THROUGHOUT the months of governmental effort all over the world to relieve business' taxation burdens and to balance governmental budgets, wise voices have reiterated, "Disarmament is the way out." Mr. Hoover's message to the International Chamber of Commerce stressed the point, and the President made it again in his statements concerning the war debt moratorium. British political leaders echoed it unanimously this week, and many other voices have joined the chorus.

### Armament Relief Next

The next great international movement is in that direction. With relief from war debts now granted, governmental leaders throughout the world are preparing for the World Disarmament Conference to be held in February of next year. Secretary Stimson's journey abroad is purported to be for that purpose and world capitals have long been discussing the subject.

Postwar plans to disarm—and the agreement in principle—go back to the treaty of Versailles. When Germany, Austria, and Hungary were demilitarized the other powers solemnly agreed to cut armaments. Semi-successful attempts were made in the treaties of London and Washington. Finally, the grand conference called for by the treaty will take place. Disarmament in all likelihood will be big news through most of next winter.

### Present Status

What is the present status of armaments, and their burdens upon American and European taxpayers? Getting behind the volumes of statistics that have been issued, *The Business Week* is able to give a brief, understandable account of the world's arms burden today as a result of extensive budgetary analysis by its European News Bureau.

During the present fiscal year the United States and 15 European nations plan to spend \$2,659 millions for military purposes. This includes only present military costs, excludes the continuing costs of past militarism such as pensions and debts. It is from this huge sum that President Hoover and others have truthfully said savings to governments—and thus to taxpayers—could be

obtained far exceeding benefits to be had from debt moratoria.

European nations account for \$1,970 millions of the total, an increase of \$56 millions from last year. This country's \$689 millions is a cut of \$30 millions from last year's total and a further reduction probably will result from administration efforts.

The military burden per person in this country is \$5.60 against an average of \$5.95 for Europe. But—though American authorities haven't stressed it—a larger percentage of the American budget goes for military expenditures than is the average for Europe. We will devote 17.5% of our federal budget to military expenses. The average for Europe is 14.9%.

### France Spends Most

France leads the list in per capita military expenditure—\$12.80. The French Socialist party claims that, counting in "hidden" military costs, this figure should be \$18.50. France also devotes a much larger proportion of her governmental expenditures to arma-

ments than any other nation: 26.1% according to official figures; 38% according to Socialist figures.

England is next in per capita costs, with \$12, but only 12.1% of her governmental costs are military. Italy, with \$6.36 per person and 26% of her government costs for "defense" is third, and the United States is fourth.

The table appearing on this page summarizes the details of the national armament bills for the world's leading countries. It is prepared from a series of tables covering the budgets of these countries, copies of which can be obtained from *The Business Week* on request.

## Makers of Sound Apparatus Open Up Markets Abroad

AMERICAN manufacturers of talkie reproducing equipment have an immediate potential market abroad for nearly 5,000 sound sets. The Bureau of Foreign and Domestic Commerce offers concrete aid.

In the first place it has surveyed the markets. Germany is out because of restrictions on our equipment.

The United Kingdom, with 3,395 theaters already wired, has another 400 "good prospects." Potentially, the Kingdom is the best market, but competition there is very stiff.

France, Czechoslovakia, and Belgium

European and American Military Expenditures

Countries	For Armament (\$ Millions)		% of Total Cost of Govern- ment <sup>1</sup>	Per Capita Expendi- ture <sup>2</sup>
	1930-31	1931-32		
France <sup>1</sup> .....	437	525	26.1	\$12.80
France and 4 Allies <sup>2</sup> .....	671	766	24.9	6.52
England.....	551	533	12.1	12.00
Italy.....	251	264	26.0	6.36
Italy and 2 Mediterranean countries <sup>3</sup> .....	378	396	25.7	5.€3
3 Traditional Neutrals <sup>4</sup> .....	96	99	13.6	5.00
Germany.....	185	143	5.6	2.23
Germany and demilitarized Austria, Hungary.....	218	176	6.0	2.22
Total 15 Countries.....	1914	1970	14.9	5.95
United States.....	719	689	17.5	5.60

<sup>1</sup> Addition of "hidden" armament costs charged by French Socialist party would make 1932 figures \$760 millions, 38% of total budget, \$18.50 per capita.

<sup>2</sup> France, Poland, Czechoslovakia, Yugoslavia, Roumania.

<sup>3</sup> Italy, Spain, Greece.

<sup>4</sup> Switzerland, Belgium, Holland.

<sup>5</sup> Two-year average.

are considered by the bureau's foreign staff to be in the market for 300 new sets each. France already uses many American sets but, in general, domestic competition is likely to be keen in France and in the other 2 countries, both French allies. Czechoslovakia, too, was assigned to the Germans in the Germano-American patent pact.

Australia's potential market is put at 250 sets.

Four countries, each with 200 "possibilities," include Spain, Italy, Sweden, and Brazil. Austria, with 165 theaters already wired, is thought to have another 150 large and modern enough to be converted into talkie houses.

Seven other countries might buy 100 sets each: Poland, Denmark, Yugoslavia, Switzerland, Roumania, Argentina, and Japan.

Proportionately speaking, American sound equipment has sold better in Latin America and the Far East than in Europe.

To supplement their list of potential customers in each of the foreign markets, the Bureau of Foreign and Domestic Commerce has a list of agents in all countries with data on their financial standing and character, suggested territorial divisions for marketing equipment, definite information concerning tariffs, etc.

## Sag in Metal Prices Forces Further Production Cuts

THE continued depression in prices and the steady accumulation of supplies are forcing metal producers here and abroad to make further cuts in production.

Two new agreements have been reached for the restriction of output in foreign countries.

One is an additional cut of 5% in lead output decided upon by the lead cartel, embracing the world's principal producers outside the United States. Last April a 15% restriction program on basis of 1930 production was agreed to by the same body.

The other is a cut of 45% in zinc output, beginning Aug. 1, just arrived at by the newly reorganized foreign zinc cartel. As a result of this agreement, which includes all the principal producers of zinc outside this country, foreign production will be reduced about 8,000 metric tons a month. The participants have also agreed, it is stated, not to sell the present surplus stocks of zinc, until prices improve, but to what extent has not been indicated.

The need of further curtailment in copper production is being more keenly felt, as stocks of the refined metal continue to mount and prices tend to sag.

Copper operations in this country already are below 40% of capacity, with many mines, mills and smelters shut down temporarily or for indefinite periods. Many more will be forced to close down unless there is an early improvement in conditions.

In the analysis of 1930 production costs of 19 leading copper companies made by *Metal & Mineral Markets*, only 7 companies show production costs

of less than 9¢ a pound after depreciation but before depletion. Meanwhile, copper is selling for 7½¢ a pound, representing a heavy loss.

The lead and zinc industries also have cut their operations sharply.

### Zinc Industry Develops New Uses for Product

CURRENT developments in the zinc industry point to the efforts made to increase the consumption of that product.

Now under way is the American Zinc Institute's campaign to enlarge the use of galvanized sheets, important outlet for zinc. One of its features is the adoption of a "seal of quality," to be stenciled on galvanized sheets of specified weights of zinc coating.

In the field of alloys using zinc as a base, the New Jersey Zinc Co., world's leading manufacturer of zinc products with large research facilities, has made an important contribution towards expanding the use of zinc die castings. One of its recent developments is an alloy for use in sheets, rods and wire, which has interesting possibilities in fields where unalloyed zinc has heretofore been unsuitable.

In the high-grade zinc field great progress has been made in the production of metal of high purity. Zinc 99.99% pure can be obtained under different processes. The New Jersey Zinc Co. uses a pyrometallurgical process involving distillation in a vertical furnace. Other producers use different electrolytic processes.

## Annual Sales \$150,000,000



Goods, to the tune of 150 million dollars are sold in the industrial market each year by our clients.

The names of many of these have long been famous in the annals of industrial development. Others are rapidly gaining front rank.

Is it not significant that the average period of our Advertising Service for these clients is over seven and one-half years?

*If you are an official of a company selling to the industrial market, we will be glad to send you an Exhibit Box of the modern industrial advertising used by the prominent manufacturers numbered among our clients. Just write for it, no obligation involved*

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You are invited to utilize our industrial and engineering services on factory establishment or relocation. Complete reports on industrial advantages in areas served by our properties . . . All negotiations confidential and gratis. Address Industrial Development Department.

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"The most vital front cover in America appears on THE BUSINESS WEEK. At one glance it tells you accurately how business is."

# Clear the decks



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Business men, industrialists and engineers—600,000 of them—regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business.

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## *but don't throw the cannon overboard!*

When the real test comes, all the paraphernalia of peacetime, all the decorations that shine in reviews, are thrown aside. Decks are cleared, men are stripped for action. Only the essentials of battle—manpower and guns—remain.

Business today is facing its real test. All the methods that merely help business “dress up”, that just arouse public admiration, must be discarded. Today there's room on the deck for only the real sales weapons—manpower and *advertising that shoots straight at its prospects.*

For those who sell to business and industry the McGraw-Hill business publications are the essentials of battle. They're aimed straight at your prospects—over half-a-million men of business and industry who impulse and control buying. They are used as buying guides by 69% of the executives questioned recently. Clear the decks for this battle, *but don't throw the cannon overboard!*

★  
2

### Jobs that business paper advertising can do NOW

There are ten ways in which business paper advertising can help your salesmen get orders ... today. Here's one.

★ *It can hurdle the barrier of distance — keep your story before far-away prospects between the salesmen's calls.*

This and the other uses of business paper advertising are explained in our book, “Industrial Advertising at Work.” Our representative will gladly bring you a copy on request.



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Metal and Mineral Markets  
Coal Age

Electric Railway Journal  
Bus Transportation  
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# DISTANCE U. S. Firms in France Win Point In Fight Against Double Tax



## ...the Profit Thief!

There are profits for you . . . in Great Britain. But "hands across the sea" often fail to get them.

Establish your factory at the point-of-sale. Tremendous advantages are involved. British labor costs are reasonable. Rents are low. You avoid customs duties and transportation charges. You obtain preferential tariff rates, not only in England, but throughout the British Empire.

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Your request for specific details will receive immediate attention.



## London, Midland & Scottish Railway of G. B.

(LONDON, MIDLAND & SCOTTISH CORPORATION)  
Thomas A. Moffet, Vice-President—Freight Traffic  
1 Broadway, New York City

EUROPEAN NEWS BUREAU—American companies have won a decision in the French lower courts in their long-fought suit against double taxation in France. Double taxes on foreign companies are not yet abolished, but Americans in Paris are more hopeful of the outcome than for some time. And while it is being decided, a number of important American companies are refusing to pay the double tax. Among these is the Boston Blacking Co. (France). It is the decision in this case which has now been carried on appeal to the Supreme Court of France.

Under the law of 1872, the French government subjects branches or subsidiaries of foreign firms doing business in France to the regular taxes assessed on all French or foreign firms, plus a tax on a portion of the estimated profits of the parent company.

This portion is calculated for taxing purposes either upon the basis of the parent company's total profits or of the organization's total assets or its turnover, or all 3 elements combined, whichever is most profitable to the French Treasury. This means that the local branch or subsidiary is called upon to pay the 18% dividend tax not only upon its own operating profits, but also upon that portion of the company's total profits set by the French fiscal administration.

### Branch Was "Naturalized"

In 1921, the Boston Blacking Co. established a branch in France for the manufacture of shoe polish. This subsidiary was organized as a corporation in June, 1923, as the Boston Blacking Co. (France) and the American company turned over to the French company its factory and capital, receiving in return a number of shares of the French company.

The Boston Blacking Co. considered that, as it had sold its assets in France to the French company, in exchange for the latter's stock, it would no longer be assessed for income tax in France, except that assessed upon the dividends distributed by the French firm. The French fiscal authorities, however, held the American company liable for the payment of taxes, alleging that as it owned the bulk of the stock of the French company and therefore was able to direct the latter's policy, it actually was doing business in France. Upon

the failure of the Boston Co. to pay, the government sued them for non-payment of taxes.

The government's view was upheld by the Court of Appeals in 1926 and it was against this decision that the Boston Blacking Co. took the matter to the Supreme Court. Its principal argument was that under the Consular Convention of 1853, French and American citizens should be treated alike in France. Such was not the case in the present instance, because under a law passed in 1920 a French company is exempted from taxation on dividends received from another French company in which it holds shares and which already has paid the tax assessed against it.

### The Point at Issue

The Boston Blacking Co. says that its French subsidiary is unquestionably a French corporation. This subsidiary actually pays the dividend tax upon its own profits and has therefore always complied with the French law. The essential point in the law of 1920 is not that a French company receives dividends from another French company but that it receives dividends from a company which has already paid the dividend tax. Under these circumstances, and inasmuch as the Boston Blacking Co. (France) has paid the dividend tax on the dividends distributed to the parent company, the latter has nothing to pay. Moreover, inasmuch as French subsidiaries in the United States are not required to pay any dividend taxes to the United States Treasury upon dividends of their parent companies in France, the French fiscal administration's attitude violates the reciprocity convention of 1853.

### A Test Case

The Boston Blacking Co. case has for a number of years been considered a test case in the double taxation controversy between the United States and France, and the resolution of the present appeal will involve the future interests of all American firms operating subsidiaries in France. The very fact that the Chambre des Requêtes admitted the American company's plea is considered by American interests a great success, and it is hoped that the Chambre Civile will uphold the company's views and thus definitely settle by a final interpretation this problem which has so disturbed international business relations.

# Business Abroad—Swift Survey

## Of the Week's Developments

All business activity is subordinated to the German crisis. . . . German industry, reasonably active until the bank holiday was declared, is now in a difficult financial position. The outlook changes daily. . . . British business activity has fallen off. Indecision characterizes the week's developments. . . . France, after a 4-day holiday, shows little change. Indicators show slight improvement. . . . Minor crises have broken out throughout Central Europe. The future is increasingly uncertain, the outlook gloomy. . . . Japanese business reacted abruptly to the changed world outlook, dropped a part of the hopeful June gains. . . . Latin American aid is held up by the German financial crisis.

### Indecision Dominates Business Outlook Abroad

EUROPEAN NEWS BUREAU (Cable)—Indecision and uneasiness dominate the entire business outlook in Europe. The seriousness of the German situation is becoming increasingly evident as repercussions break out in Hungary, Roumania, Poland (page 5).

Bourses everywhere are nervous, inactive. Exchange rates are fluctuating rapidly. The most serious was the drop in sterling below the gold export point. Franc exchange is generally up. Reichsmarks have sagged precipitously, largely recovered.

#### Commodities Down

The trend of commodities is again downward. Zinc producers have successfully completed negotiations for production curtailment of 45% of previous quotas (page 31). The agreement was signed by France, Belgium, Norway, Germany, Poland, England, Australia, Canada, Italy, Czechoslovakia, and Mexico, becomes operative Aug. 1. Tin is aided by Siam's agreement finally to curtail production. This brings 92% of world tin production into the agreement to cut output.

#### Ship Operators Disagree

Ship operators in the North Atlantic conference have failed to agree on rate reductions because of the unwillingness of the German lines to forego returns which, so far this year, have

been favorable to them. Another meeting is scheduled for July 28 at which it is expected the question will be thrashed to an agreement. Rate reductions of 20-30% are proposed.

### British Business Wary But Regaining Confidence

Business is moving cautiously. . . . Stocks and money markets are unsettled. Exchange is down. . . . Commodity trade is in abeyance. Lead and zinc prices are firm; copper is off. Wool and rubber are steady; cotton weak. . . . Labor troubles only temporarily settled. . . . Hudson's Bay Co. reports heavy loss due to depression.

LONDON (Cable)—Britain has escaped any form of domestic panic accompanying the German crisis, but conditions continue to be uncertain and business is moving cautiously. After a panicky session following the close of the Darmstaedter Bank, in which Britishers were heavily interested, the stock market rallied, only to weaken again later in the week on reports of uncertainty in Germany and Central Europe.

Money markets were unsettled by the German situation. Sterling exchange fell sharply, touched a new low since October, 1925. Though well below the gold export point, there was not, through July 15, any move in New York to take gold. Because the Bank of England has full powers, through the Currency Act, to support any merchant banks possibly hit by the closing in Berlin of the Darmstaedter Bank, there is no anxiety in London that local bank difficulties will follow. The half-year end caused some stringency in the money market. Two of the "Big Six" banks have decreased interim dividends.

Commodities were quiet. Wool and rubber were steady but inactive. Sugar held fairly steady. Cotton was weak. Lead and zinc prices were firm, but there was little activity. Copper is off. Iron and steel continue to show some improvement. Coal is still having a difficult time, and trade is affected by the uncertain wages position.

Coal owners and miners having failed

to reach an agreement on hours and wages, the government has introduced legislation in the form of a stop-gap measure continuing the 7½-hour day for a specified period, with a uniform working day and abolishment of the spread-over system. The preamble of the bill states that its object is to remove for a period not exceeding 1 year the limitation upon the number of days on which the hours of employment below ground in coal mines may be extended under a section of the Coal Mines Act of 1908. The bill became operative July 8.

Discussions continue in Lancashire between the mill owners and the operatives on the more-loom system. No official statement of progress has been made, but John Grey, chairman of the Manufacturers' Association, says that the proceedings have been amicable. It should not be assumed that the more-loom system will soon be in operation. But it is coming.

#### Approve Bank Censure

Business approves the attack, in the recently published MacMillan report on banking and finance, on the practice which banks have of window dressing, and the demand for cooperation to raise price levels and support the gold standard. There is general approval of Lord Bradbury's dissent that the main causes of economic trouble are the burden of unproductive debt, over-lavish state spending, excessive transport and distribution costs, and the attempt of all classes to live too high (see page 26).

*The Economist*, in June, received 192 reports of companies showing a decline in profits of 21.93%. In May, there were 211 reports showing a decline of 23.2%, and in April, 217 reports showing a decline of 10.49%. During the second quarter of the year 620 companies show a decline in profits of 19.34%. The only groups to show improvement are gas and telegraphs. Heaviest declines have been registered by oil companies. Certain textile companies registered heavy individual declines.

#### Hudson's Bay Co. Loses

The Hudson's Bay Co. shows a loss, in its recent statement, of \$3,700,000 with the prospect of another big loss in the current year. The board already has been reconstructed to add 2 leading financiers. A stormy meeting is expected July 29 when the new governor will plead for 2 years of freedom from shareholders' agitation in order to pull the company together. London says a rebel shareholders' committee, led



by Lawyer Nordon, plays the Soviet game of hindering the board's action. The Canadian stores are to be retained. All rumors of their purchase by American interests are unsound.

## Shift of Events Keeps Germany in Suspense

Day-by-day change inevitable while crisis lasts. . . . Production and trade improving until bank holiday declared. . . . Possibilities for future on basis of week's developments (page 5).

BERLIN (Cable)—After days of rising hope over the Hoover plan, business has suddenly been plunged into the worst crisis since 1924. Until this week, production and trade have carried on normally, but the 2-day bank holiday deprived manufacturers and dealers of the possibility of obtaining cash for current needs. While the government promises to arrange an adequate supply of notes for wage payments, the main concern to business now is the finding of a way to meet foreign obligations. Leaders reluctantly believe some kind of a general moratorium will be necessary before the domestic crisis is ironed out.

### Hopeful Signs

Contrasting with the present credit and currency upheaval, current business indicators up to July showed some rather hopeful signs of improvement. Steel orders, for example, placed with the Steel Trust during the second quarter were up 2.8%, the 2½% slump in domestic orders being offset by a 10½% rise in foreign orders. Until the crisis came, steel leaders were looking forward to increased activity which would give work to many now unemployed. The Federal Railways, already planning modernization, were definitely to benefit by orders provided in the last Emergency Decree. To this were to be added large Soviet orders placed since April as a part of the new commercial agreement negotiated in Moscow.

### Crisis Ended Good Start

Machine builders were just beginning to feel the new stimulus when the crisis came. For the first half of 1931, the industry worked at only 43% of capacity, compared with 55% last year, but June orders, especially from abroad, showed marked improvement.

I. G. Farbenindustrie (the great Dye Trust) also showed improved sales in the second quarter. Rayon sales were beginning to improve following the

completion of the international cartel arrangement. Nitrogen and other fertilizer sales, however, were still down.

The German film companies are the only branch of industry so far unaffected by the depression. Ufa, for example, profiting obviously by the transition from silent to sound films, increased its turnover 60% in 1930.

Much of this satisfactory recovery is likely to be dissipated by developments during the past week. The increase of the discount rate from 7% to 10%, the necessary but psychologically bad decrease of the gold cover from 40% to 30%, the threatened default on unconditional reparations due July 15, on top of the closing of Darmstaedter, and the delay in getting foreign credit, have changed the entire outlook. The new situation depends on day-to-day developments. The most constructive factor is the still-evident confidence in many financial capitals that Germany will "come through," though recovery may be slow.

## French Business Quiet Over 4-Day Holiday

Business interrupted by 4-day holiday. . . . Unemployment down 5%. Railway receipts up. Larger tax returns. . . . Labor troubles and wage cuts not settled.

PARIS (Cable)—Following a 4-day holiday (Bastille Day fell on Tuesday and the Bourse was closed Monday), there are few developments in French business. Despite the generally critical situation in Europe, indicators show some improvement. Unemployment is down 5% for the week. Railway receipts have increased. June tax returns are nearly \$3 millions above valuations, and the national turnover tax, though below the level for 1930, improved 10% in comparison with the May returns.

Labor troubles have not been settled. Textile strikers are slowly returning to work in the northern districts but there is still a large amount of opposition to the Laval plan for a gradual 3% wage cut.

Because of mounting unemployment in the coal industry, the government tentatively has promised miners that it will inaugurate a special system of import coal licenses to aid the domestic industry. Importers indignantly point out that in the first 5 months of 1931, coal imports declined 10% in comparison with 1930, whereas home pro-

duction was down only 7%; that the effect of such a law would be merely to cause an increase in the price, which is now exorbitant.

It is officially denied in Paris that France is coming to the aid of Hungary with a \$40 million loan.

## Slackening of Activity Is Marked in Italy

General situation unchanged. . . . Stock and commodity markets react to European crisis. Industry no less active. . . . Government aids farmers, makes tax changes.

MILAN (Cable)—Gradual slackening of summer activity was accentuated this week by the severity of the crisis in Germany. Stock markets turned decidedly downward, the average fall being 9%. Textiles were most affected, followed by rails and shipping shares. The industrial situation, on the whole, seems no worse and in some branches favorable factors have developed.

### Wheat Prices Rise

Farm conditions have changed slightly. Wheat prices climbed slightly during the week on reports that excessively hot weather had reduced the estimated crop anywhere from 5 to 8 million bushels. This still does not bring sufficient financial relief to farmers who have been forced to sell silk cocoons and wheat, early summer revenue producers, at unusually low prices. To ease the situation, the government has passed a bill reducing taxes on land, and cutting the tariff on wine and meat for home consumption. It is estimated that the amount saved to the farmers will exceed \$600 millions. In part to counteract this loss of national revenue, duties on commercial invoices have been increased from 1½% to 2½% of the value of the goods sold. On certain luxuries, including fancy soaps and perfumes, a tax ranging from 5% to 10% ad valorem has been levied. Despite these new taxes, the net loss to the State of the new adjustments is estimated at \$300 millions.

### Ship Pool to Continue

Italian shipping lines, severely affected by the depression along with the big lines in other countries, particularly those in the highly competitive transatlantic service, have agreed to continue their passenger traffic pool. N. G. I. (Navigazione Generale Italiana), whose shares have declined heavily in recent trading, declares it is still able to meet current obligations.

## German Crisis Delays Aid to Latin America

Financial aid delayed by European crisis. . . . Argentine exchange down. Government conserves gold. . . . Brazil shows signs of internal improvement. . . . Foreign trade bank would aid inter-American trade.

IMMEDIATE developments in Latin America this week are subordinate to the European crisis. Discussions in financial capitals, particularly in New York, are not ended but are pending settlement of the German crisis.

In the meantime, the outlook in Argentina has darkened. For the second time in 30 days, peso exchange has slumped drastically. At the same time, the government has refused further gold withdrawals from the Conversion Office for payment of interest and service charges on provincial loans. This move forces the provinces to meet such payments from their own resources and to

suffer the loss by exchange when peso exchange sags as it has this week. The Province of Buenos Aires, with heavy foreign obligations, was the first to be forced under the new ruling to arrange for its own foreign obligations.

Exports of grain and wool are up; of animal and wood products down. It is reported that discussions are now under way in New York for the extension of Argentina's \$50-million loan, which falls due in October.

Brazil continues to report business improvement. Automobile sales in the interior are better; textile sales are up.

### Moratorium in Chile

Chile, still without foreign financial aid, has been forced to declare a partial moratorium. Interest and service charges on the foreign debt will be temporarily suspended, though the government will make equivalent deposits in local banks to help the gold exchange situation. This policy is to operate only until Aug. 1, in the hope that some permanent aid can be arranged by that time.

In New York, rumors that a group of less than a dozen American companies were contemplating the formation of a sort of Hudson Bay Co. to operate in South America cannot yet be confirmed.

Another plan to aid inter-American trade has been proposed by *Ingeniería Internacional*, an international engineering paper particularly for Central and South America. This is a plan for a foreign trade bank intermediate between commercial banks and investment bankers. It would be authorized to take over long-term credits from exporters and from banks handling export paper, to rediscount it and carry it for periods up to 1 or 2 years if necessary. Americans doing business with Latin America know the urgent need for some such organization, are expected to rally to the proposal and cooperate in bringing the matter to the attention of Washington. Some action is likely soon.

## Chinese Boycott Threatens Business in Japan

Markets react downward on European crisis. . . . Manufacturers fear threat of Chinese boycott.

JAPANESE markets have reacted downward on news of the German crisis. Cotton and cotton yarn prices, which had rallied on earlier news of the debt settlement and better Chinese demand, suffered the greatest drop. Raw silk, which jumped 2 weeks ago to the year's high, has fallen back to April levels. Stock and bond prices, which have been improving since May, declined slightly.

### Plan Drastic Action

Another, and more intimate, disturbing factor is the trouble in Korea between natives and Chinese residents, which Japanese police were called out to quell. Chinese reaction is prompt, may be drastic. The Shanghai Chamber of Commerce has assumed the leadership in the organization of a nation-wide boycott of Japanese goods. It goes so far as to advocate the severance of all commercial relations with Japan.

In Tokyo, business leaders are worried. The drastic effects of the famous Chinese boycott of 1925, which hit Britain harder than it did Japan, have not been forgotten. On the other hand, Japanese manufacturers have in recent years established large numbers of branch plants in China. Operating now largely with Chinese labor, and in some cases, with a share of Chinese capital, Japanese manufacturers hope to escape the brunt of any Chinese boycott.



Press Cliche

STALIN RAISED HIS WAGES—Comrade Mironov, "shock worker" in a large Soviet leather factory, makes \$80 a month, is due for a raise under Stalin's "new economic policy" which sanctions inequality of wages, establishes individual responsibility of directors of industry, readmits engineers of the old regime to industry



# Avalanche Bond



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## Wide Reading

CONSTRUCTIVE FUNCTION OF THE INTERNATIONAL BANK. Shephard Morgan. *Foreign Affairs*, July. The question of central banking again, and some of the world financial problems left unsolved by the B.I.S.

THE AMBASSADORS OF THE UNITED STATES OF AMERICA. *Fortune*, July. They are good negotiators, poor reporters, famous hosts; need a private income; are technically responsible for the success of much of the foreign business of the U. S.

WHAT ARE THE GEOGRAPHICAL LIMITS OF YOUR TRADE-MARK RIGHTS? John C. Pemberton. *Printers' Ink Monthly*, July. There are unique and unexpected exemptions even in the United States.

NEW THINGS THE CHEMISTS OFFER. H. E. Howe. *Nation's Business*, July. New products revealed at the Exposition of Chemical Industries.

WHY DON'T YOUR YOUNG MEN CARE? Harold J. Laski. *Harpers*, July. Reasons for the political indifference of the American undergraduate, including numerous thrusts at the "political profession."

A HOOVER EXPERT WALKS THE PLANK. Gardner Jackson. *New Republic*, July 1. Frank Discussion of the dismissal of Dr. Ray Hall, assistant chief of the finance and investment division of the Department of Commerce.

THE DESPOT OF DEARBORN. Edmund Wilson. *Scribner's*, July. New estimate of Ford, his relationship to Detroit and surrounding communities, and how his reputation has weathered the depression.

TRUCKING MONOPOLY GRANTED BY THE GERMAN RAILROAD COMPANY. Raymond H. Geist. *Commerce Reports*, June 29. Schenker & Co. holds a trucking monopoly, is duty bound to drum up business for the railroads, works on a fixed rate basis.

PHILADELPHIA. Freeman Tilden. *World's Work*, July. Personality of a city.

THREE COMMERCIAL AUTOGIROS. *Aviation*, July. Exhaustive study of the autogiros now being made in this country. More technical than commercial.

A GREAT GERMAN PUBLISHER. Herbert F. Jenkins. *Publisher's Weekly*, July 4. The story of Ullstein, publisher of Remarque's popular books—Germany's greatest publishing house. Larger than any in the United States, it employs 10,000 men.

### BOOKS

RADIO IN ADVERTISING. Orrin E. Dunlap, Jr. Harper, 383 pp., \$5. Present status and possibilities of advertising by radio.

YOUR JOB AND MINE. Katherine H. Pollak and Tom Tippet. Vanguard Press, 348 pp., \$2. An ABC of economics from the viewpoint of the person who works for a living. First of a series of workers' textbooks.

INTERPRETATIONS OF FEDERAL RESERVE POLICY. (As revealed in the writings and speeches of) Benjamin Strong. Edited by W. Randolph Burgess. Harper, 331 pp., \$4. Statements of policy and their interpretation by a man who, serving as governor of the New York Reserve Bank from 1914 to 1928, had more to do with their formation than any other person.



# The Figures of the Week And What They Mean

While the European situation continues to contribute to the uncertainty of the stock and commodity markets, the post-holiday figures of general trade and production indicate slight improvement in some lines. . . . Steel production, while still at low levels, made a fair recovery from the holiday drop. . . . Coal and electric power output moved upward. . . . Carloadings declined less than usual over the July 4 weekend. . . . Check payments and commercial loans are holding up fairly well. . . . Declines in wheat, corn, cotton, and copper prices continue, while steel prices reveal mixed trends. . . . The *Business Week* index of business activity for the week of July 11 advanced from 76.1% (revised) to 78.1% compared with 97.5% a year ago.

JULY is expected to be a dull month in the steel industry. Operations during the week of July 13 are estimated by

Dow, Jones at 31% of capacity compared with 23% during the holiday week and 33% two weeks ago. Our adjusted index of steel ingot production rose from 47% of normal to 48%.

The slackness in demand for steel products is reflected in the sharp drop in unfilled orders at the close of June of U. S. Steel Corp. A decline of greater than anticipated proportions brought the volume of orders on the books of the corporation to 3,479,323 compared with 3,620,452 tons at the end of May. June usually shows a decline compared with May, but the drop of 141,129 tons was somewhat greater than in the preceding two years. Consumers continue to place only small orders for immediate needs, waiting for more definite signs of improvement in the general business situation.

In spite of the unprofitable rate of present operations at prevailing prices, the trade journals report a growing confidence that some improvement is bound

to come before the close of summer. The very low inventories of consumers is looked upon as a favorable factor. A better price structure would be an incentive to consumers to place orders now, but as yet posted price advances remain untested.

The situation in the automotive industry remains virtually unchanged, with July and August certain to be low months. Inventory and vacation closings are expected during July and August. Detroit employment at the close of June was but slightly less than at the middle of the month, though it was 9% less than at the close of May.

## Steel

Tin plate production, according to the *Iron Age*, is holding at 65% of capacity, though shipments are tapering. Shipments and bookings of fabricated structural steel show an upward trend during June. Awards of the past week totalled 119,500 tons against 15,500 tons the preceding week.

July construction data on contracts awarded in the 37 states will be available in the next issue. The *Engineering News-Record* reports a tapering of heavy construction contracts in mid-July, the total of \$34,070,000 being the

	Latest Week	Preceding Week	Year Ago	Five Year Average 1926-1930
<b>THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY</b>				
	*78.1	†76.1	97.5	.....
<b>Production</b>				
Steel Ingot Operation (% of capacity)	31	23	57	74
Building Contracts (F.W.Dodge, 4-week daily average in thousands)		\$12,576	\$23,273	\$23,216
Bituminous Coal (daily average, 1,000 tons)	*1,192	†1,125	1,309	1, 33
Electric Power (millions K.W.H.)	1,655	1,576	1,650	1,517
<b>Trade</b>				
Total Carloadings (daily average, 1,000 cars)	134	127	158	172
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	89	86	103	111
Check Payments (outside N. Y. City, millions)	\$4,247	\$4,940	\$4,787	\$5,550
Money in Circulation (daily average, millions)	\$4,858	\$4,848	\$4,526	\$7,771
<b>Prices (Average for the Week)</b>				
Wheat (No. 2, hard winter, Kansas City, bu.)	\$ .46	\$ .49	\$ .81	\$1.21
Cotton (middling, New York, lb.)	\$ .092	\$ .100	\$ .132	\$ .180
Iron and Steel (STEEL composite, ton)	\$30.98	\$31.11	\$33.18	\$35.76
Copper (electrolytic, f.o.b. refinery, lb.)	\$ .077	\$ .081	\$ .112	\$ .139
All Commodities (Fisher's Index, 1926 = 100)	70.4	70.6	84.5	94.6
<b>Finance</b>				
Total Federal Reserve Credit Outstanding (daily average, millions)	\$959	\$963	\$1,039	\$1,266
Loans, Investments, Federal Reserve reporting member banks (millions)	\$22,487	\$22,486	\$22,987	\$21,586
Commercial Loans, Federal Reserve reporting member banks (millions)	\$7,968	\$7,945	\$8,509	\$8,770
Security Loans, Federal Reserve reporting member banks (millions)	\$6,668	\$6,746	\$8,359	\$7,057
Brokers' Loans, N.Y. Federal Reserve reporting member banks (millions)	\$1,430	\$1,455	\$3,243	\$3,782
Stock Prices (average 100 stocks, Herald-Tribune)	\$121.01	\$123.20	\$162.24	\$152.37
Bond Prices (Dow, Jones, average 40 bonds)	\$95.71	\$95.79	\$95.46	\$95.66
Interest Rates—Call Loans (daily average, renewal)	1.5%	1.5%	2.4%	5.2%
Interest Rates—Prime Commercial Paper (4-6 months)	2%	2%	3-3½%	4.5%
Business Failures (Dun, number)	389	413	428	348

\*Preliminary

†Revised

lowest week since early in the year. The preceding two weeks reported contracts of \$67,766,000 and \$39,876,000. July ordinarily shows a smaller volume of building than June. According to F. W. Dodge, the month of June saw a greater volume of construction compared with May in 7 out of the 13 territorial divisions, though only 2 showed increases over a year ago. The 1931 federal road building program calls for an expenditure of \$259.8 millions against \$105.6 millions in 1930, but the falling-off of appropriations in some states brings the combined state and federal activity only \$15 millions ahead of last year.

The observance of July 4 brought the total bituminous tonnage 12% below that of the last week in June, but the daily average output was sharply upward. Our adjusted index rose to 63% of normal against 59% the preceding week.

### Power

Electric power production for the week of July 11 showed a sharp increase over the holiday week, moving our adjusted index from 89% of normal to 92%. June industrial activity as measured by the *Electrical World* on the basis of energy consumption in industrial plants showed about the usual seasonal decline from May. The best showing was made in food products, iron and steel fabrication, leather, textiles, and rubber, while more or less serious declines were reported in building, paper, metal working, and the automobile industries.

Carloadings data covering the week of July 4 give a very favorable picture compared with preceding years. Though a decline of 91,411 cars was reported, this was less than the average of the past 5 years and compares with 144,795

last year. Our adjusted index of the two groups miscellaneous and less than car-lot freight rose from 74% of normal to 77%.

The volume of check payments declined less than expected for the week of July 8, so that our adjusted index based on the past 2 weeks moved up to the May level at 86% of normal against 81% the preceding week. A decline of 14% in the 140 cities outside of New York compares with 30% in 1930 and 27% in 1929.

### Currency

The persistently upward trend of currency circulation has brought the total volume for the week of July 11 above the high level of 1927 as well as above the past 3 years. Our adjusted index remains at 118% of normal.

Commodities whose supplies are grossly out of line with current demand continue to weaken. This is especially true of wheat, cotton, and copper. July wheat sold for 50½¢ a bushel at Chicago, breaking all records for any delivery since the organization of the exchange in 1848. Mr. Hoover's protest against short selling of wheat met with little enthusiasm among traders, and certainly had no effect on the persistent drop of wheat prices for the past 10 days. Our weighted price of Kansas City wheat declined to 46¢ a bushel compared with the high of 74¢ for the week of June 19. The government forecast for July 1 indicates a crop of 869 million bushels compared with 863 million in 1930, an increase of 47 million bushels over the 5-year average. The corn crop also promises to be of bumper proportions.

Cotton prices have receded since July 3, while the opportunity to lighten stocks by sales to Russia was rejected

chiefly on the grounds that the U. S. does not recognize the Russian government. Other exports of cotton this year have brought the total above that of last season, overcoming a sizable spread that existed at the beginning of the year. June cotton consumption reflects no more than the usual seasonal decline in mill activity, while July is expected to show further seasonal declines. Sales, shipments and unfilled orders for cotton cloth were greater than output in June.

### Metals

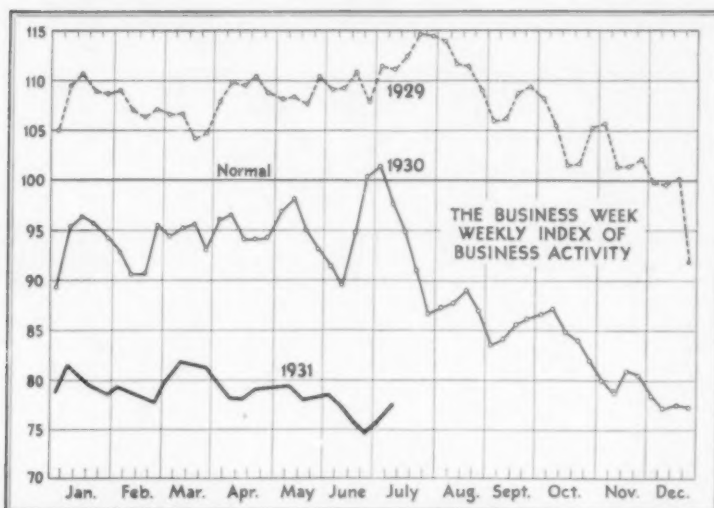
Tonnage sales in the nonferrous markets were a little better than in the preceding week, but the uncertainty of the foreign situation has had a depressing effect. Lead and zinc prices were well maintained, but copper, tin and silver sold at lower levels. June zinc statistics are expected to show further curtailment of output, while additional strength was given by the news of the renewal of the foreign zinc cartel. Copper stocks for June revealed a gain of nearly 15,000 tons.

Steel prices offer many contradictions. Sheet and strip steel makers are holding to higher third quarter prices, while bar, plate and shape producers are accepting business under the quotation that was to have applied for the third quarter. Advances have been posted on some wire products. Pig iron prices continue to give, reaching 1915 levels.

Commercial loans appear to have made a good start on the long delayed upward trend, having gained \$131 millions in the past 2 weeks. Our adjusted index moved to 113% of normal compared with 112% the preceding week.

### The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



# Trends of the Markets

## In Money, Stocks, Bonds

Stock prices declined only slightly despite the chaotic foreign situation and ended the week in a brisk rally . . . The bond market was weak, foreign issues experiencing a serious decline . . . Railroad bonds were softest of domestic issues reflecting the plight of rail earnings . . . The Federal Reserve continued its anti-deflation government security purchases . . . International financial disturbances are discussed on pages 5 and 6.

### Federal Reserve Continues Effort to Build Up Credit

CONTINUATION of the Federal Reserve system's aggressive action toward increasing credit in the United States as an antidote to the long deflation was the significant factor in monetary developments this week. This marks the fourth consecutive week of such action, during which security holdings have risen \$78 millions.

This week's purchases were offset by a decline in acceptance holdings in a week when bills were scarce and the demand heavy. But since the system has instituted its new policy, Reserve credit has increased \$44 millions, in addition to an increase of \$64 millions in gold during the same period.

During this week an approximate status quo prevailed. Gold stock de-

clined a little due to withdrawals through earmarking, and Federal Reserve credit dropped as the bill decline exceeded purchases of government securities. Money in circulation declined, increasing the bank credit ease sufficiently to offset the other drops.

The outstanding currency still reflects seriously disturbed confidence in the domestic banking situation. The large withdrawals just before July 4 have not returned to the banks, many still apparently preferring cash to bank deposits.

The stock price decline freed funds, brokers' loans declining \$25 millions. Non-New York banks increased their call loans, while the decline freed New York city funds.

Money rates were virtually unchanged. One dealer dropped acceptance rates  $\frac{1}{8}\%$ , but later restored them when others refused to follow.

### Stock Market Resists Sway of Foreign News

FOREIGN affairs ruled supreme in financial conversation, conjecture, and news this week. Yet, as the days passed, analysts, then the whole community, noted with increasing surprise the comparatively small effect of the foreign developments on the stock market.

Prices receded during the week, it

is true, but the recession in terms of the market averages was much smaller than those interested in the stock market expected when the rapid fire of unfavorable news flashes began to pour in from abroad, when wholesale selling both here and abroad appeared to be in prospect.

Analysis of the stock price averages reveals that losses from the high point reached by the market June 27, to Wednesday's lows was what is considered a normal reaction—loss of about half of the previous gains. And just at those lows, buying came into the market which brought a brisk rally.

### Important Question

The market's action raises an important question. Has there been a sudden change of financial sentiment away from preponderant concern over foreign affairs?

The answer must play an important part in evaluation of the market's future. Yet even an affirmative answer does not provide reason for overwhelming bullishness, for even if Wall Street's eyes turn inward the view is none too encouraging.

Any conclusions based on this reasoning must be entirely tentative, tested by time and events. So chaotic a situation as the present provides no satisfactory ground on which to build a foundation of certainty.

The background against which conclusions must be tested includes unfavorable earnings statements, and the fact that the present normally is a period of market dullness. Also, the chart shows a very definite resistance point on the upside at which stocks





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have met heavy liquidation and profit-taking.

On the other hand, the favorable potentialities of the credit situation continue in full force.

## Foreign Issues Lead Decline in Bond Prices

FOREIGN bonds in one of the most serious declines in years, featured the bond market this week. Nearly all groups and classes of senior securities also lost ground.

The foreign bond index, shown on the chart below, erased in this one week nearly all of the June gains and closed at what is virtually the all-time low for this series, which goes back to 1925.

The question of German stability was most important, and the German issues led the decline, closely followed by the Austrian. Issues from Latin America were weak, the serious difficulties in that region continuing but being overshadowed in the news by spectacular European developments. The bonds of Chile, Colombia, Uruguay, and Brazil made the "soft" spots in this section of the market.

Railroad bonds were weakest among domestic issues. Rail security owners are discouraged by the length of time which it now appears must elapse before any relief will be granted, and by the difficulties of the roads now being

painted before the I.C.C. Compilations based on earnings through the year thus far show that a surprising number of the roads are not earning their fixed charges, and are not likely to do so for the year as a whole. And a much greater number show earnings which, if continued as is now indicated, will make them ineligible for legal investment.

Industrial and utility issues were weaker, but the movement was sympathetic rather than based on the appearance of any new difficulties.

## New Financing Small

The disturbed bond market condition naturally kept new financing to small proportions. Total was only about \$40 millions. Three utility issues, led by the \$15-million People's Gas, Light & Coke flotation, accounted for the major part. State and municipal issues, led by Arkansas's \$15 millions, accounted for practically all of the remainder.

Latest reports covering institutional bond buyers show a considerable divergence of trend. Banks in New York City continue to concentrate on government issues; in other cities corporate issues are in favor. Mutual savings banks are following New York City institutions. Life insurance companies still favor public utility senior securities, while fire insurance concerns were buying more of railroad bonds than any other group.



## Rocky Mountain States Launch Regional Council

To promote development, research, and trade, the business men, educators, and industrialists in several important Rocky Mountain states have joined in forming The Rocky Mountain Economic Council, established headquarters at Denver, Colo., engaged a staff, are under way with definite plans for promoting the advancement of the entire region.

Since publication (*BW*—Jan 8 '30) of a national plan for the comprehensive development of the country's economic regions, several leading business men and educators interested in the development of the Rocky Mountain territory have expended concentrated effort to stimulate regional thinking.

### Adapt New England Plan

The performance of the New England Council was cited as typical of the particular advantages that may be gained in regional cooperation. Plans for the new organization, while in some respects patterned after the New England Council, were prepared to suit the particular needs of the region, with special recognition given to 2 important factors in the economic life of the region—mining and agriculture.

Immediately after formal organization was completed, the Rocky Mountain Economic Council announced a definite program of "stock taking." Special committees are now preparing economic surveys of agriculture and mining. A market-area survey will follow shortly.

Since the states eventually expected to cooperate represent approximately one-third the area of the United States, it is felt that the region can be more thoroughly developed as a self-contained trading area.

### Industrial Leaders Join

Activities of the council are directed by an administration committee consisting of John Evans, president First National Bank, Denver; Charles C. Gates, president Gates Rubber Co., Denver; Clark G. Mitchell, vice-president Denver National Bank; Herbert S. Sands, president Denver Chamber of Commerce; and W. C. Sterne, president Arnada Electric Co., as chairman.

The advisory committee of 29, representing various business activities, will be expanded as needed. The economic and other departments of important universities and colleges within the region are cooperating through Chancellor F. M. Hunter of Denver University; Dean E. T. Hinton, University of Wyoming; President M. F. Coolbaugh, Colorado School of Mines.

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## THE BUSINESS WEEK

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

July 22, 1931

## Push On!

It would be fatal if the Federal Reserve authorities were to falter in the policy of aggressive expansion of the volume of credit through open market operations which they apparently began when the moratorium proposal was announced. If this policy had been pursued promptly a year ago at this time there is every reason to believe that much of the trouble we have had to contend with since, and which this country and Europe are encountering today, would have been avoided.

The next few months will be a crucial period. Deflation has been allowed to proceed to a point where widespread default, repudiation, or moratorium demands by desperate debtors, here as well as abroad, with universal idleness, distress, and political disorder, will be difficult to avoid next winter without a radical reversal of banking policy. In view of the credit position of the Federal Reserve it is inconceivable that we can refuse to take such action, or that it can fail to have an important effect if steadfastly pursued on a large scale. We at least know of no other measure that is likely to be so fundamentally effective, and no other country alone capable of carrying it through. If we fail to do so, the responsibility for the consequences will rest largely on us.

It is true that the difficulties have multiplied to a formidable degree because of the delay. The center of the stage in the crisis has shifted to the foreign field. The roundabout road to relief of Europe through credit expansion here at home which would bring domestic recovery and resumption of private foreign lending, must apparently be replaced by direct Federal Reserve emergency intervention abroad. But the psychological stimulus of the moratorium has been dissipated by the subtle sabotage of France. Aid to Germany must be extended in face of the international financial racketeering and blackmail involved in the medieval French diplomacy. America and England are now engaged in

a war against economic atrocities in Europe, and the Federal Reserve is fighting in the front line trenches. Unfortunately, it is faced with a mutiny in the rear, among the member banks, who are stubbornly resisting any expansion policy on the part of the Reserve.

Nevertheless it must push forward. It was for such emergencies that it was established; it was in the last great war, a military struggle of far less moment than the economic conflict with poverty and chaos of the present, that its powers were tested. Even though its advance along the line of extending direct aid abroad is frustrated by French "frightfulness," it cannot escape the imperative pressure for expansion at home.

The short-sighted self-interest of the member banks cannot permanently prevent such expansion in any case. If the private lenders' strike proves stubborn it will merely compel public borrowing. If the vast idle credit resources of this country, because of crippled confidence, cannot be coaxed into the channels of private enterprise and initiative by ridiculously low interest rates, they will be forced into active use eventually by public construction, employment relief, and other governmental activities in which, as in the last war, the support of Federal Reserve open market purchases of government securities will be required.

It will be a wasteful and unfortunate strategy of attack on the enemy, but if the frustrations of foreign diplomacy and the sabotage of domestic financial interests force it, there will be no alternative. In one way or another, here or abroad, through public or private enterprise, a reversal of deflation is inevitably required for recovery. In any case the Federal Reserve banks are compelled to play the crucial role, and this part must be played from now on by persistent open market pressure toward expansion, through purchases of government securities and foreign exchange on any scale that may be necessary.

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